FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS

2000 Annual Report

FOUR SEASONS
Hotels and Resorts

Our Goals, Our Beliefs, Our Principles

Who We Are

We have chosen to specialize within the hospitality industry, by offering only experiences of exceptional quality. Our objective is to be recognized as the company that manages the finest hotels, resorts, residence clubs and other residential projects wherever we locate.

We create properties of enduring value using superior design and finishes, and support them with a deeply instilled ethic of personal service. Doing so allows Four Seasons to satisfy the needs and tastes of our discriminating customers, and to maintain our position as the world's premier luxury hospitality company.

What We Believe

Our greatest asset, and the key to our success, is our people.

We believe that each of us needs a sense of dignity, pride and satisfaction in what we do. Because satisfying our guests depends on the united efforts of many, we are most effective when we work together cooperatively, respecting each other's contribution and importance.

How We Behave

We demonstrate our beliefs most meaningfully in the way we treat each other and by the example we set for one another. In all our interactions with our guests, business associates and colleagues, we seek to deal with others as we would have them deal with us.

How We Succeed

We succeed when every decision is based on a clear understanding of and belief in what we do and when we couple this conviction with sound financial planning. We expect to achieve a fair and reasonable profit to ensure the prosperity of the company, and to offer long-term benefits to our hotel owners, our shareholders, our customers and our employees.

FOUR SEASONS
Hotels and Resorts

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Financial Highlights

All amounts referred to in this document are in Canadian dollars unless otherwise noted.

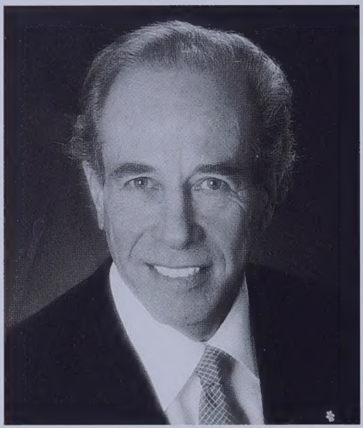
(In millions of Canadian dollars except per share amounts)	**2000**	1999	1998
Revenues under management	**$ 2,820.7**	$ 2,370.2	$ 2,270.7
EBITDA[1]	**$ 139.4**	$ 97.5	$ 88.0
Net earnings	**$ 103.1**	$ 86.5	$ 69.7
Basic earnings per share	**$ 2.98**	$ 2.52	$ 2.06
Cash provided by operations	**$ 102.6**	$ 106.8	$ 75.8
Long-term obligations	**$ 204.9**	$ 187.1	$ 165.0
Cash and cash equivalents	**$ 218.1**	$ 222.2	$ 17.6

1 Earnings before other operating items, interest and taxes.

Forward-looking Statements

When used in the Annual Information Form, the Message to Our Shareholders, and the Management Committee Round Table, the words "believes," "anticipates," "expects" and similar expressions are intended to identify forward-looking statements. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated, projected or implied, including, without limitation: competition within each of the Corporation's business segments, the balance between supply of and demand for hotel rooms and interval or fractional ownership units, the Corporation's continued ability to obtain new operating contracts on advantageous terms, the Corporation's relations with current and potential hotel owners and clients, the effect of international, national and regional economic conditions and the availability of capital to fund further investments in the Corporation's businesses. Given these uncertainties, readers are cautioned not to place undue reliance on these statements. The Corporation also undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

Message to Our Shareholders



Isadore Sharp
Chairman and Chief Executive Officer

"The core values on which we've built our brand underlie everything we do: our goals, strategies, tactics and policies. Each activity is so consistently and mutually reinforcing that our values can never be ignored or misunderstood."

Four Seasons Hotels Inc. celebrated the Millennium year with record earnings and further improvements in profitability. Strong growth, both in existing hotels and new properties, helped increase 2000 net earnings by 19.2% to over $103 million compared to 1999.

This year also represents a milestone for Four Seasons, as the Company's 40th anniversary was celebrated on the first day of spring 2001. As we review the past year and embark on our next four decades, it seems appropriate to examine what we believe makes the difference between success and failure.

Managing growth is a challenge for any company, and according to *Fortune* magazine, the number one reason that failure often follows success is, "the nearly incredible reality that…a lot of senior people at very large companies have no idea what made their organization successful." Fortunately, at Four Seasons, everyone, top to bottom, understands the foundation of our success: a clear and enduring set of core values which were initially implicit, and have subsequently become explicitly adopted as our goals, beliefs and principles.

When we set out to differentiate ourselves from our competition many years ago, we made the radical decision to become customer-centred, not product-oriented. We identified our customers very precisely, and offered them a new standard of quality – defined not by architecture and décor, but by highly personalized, anticipatory service. The principles behind that definition of quality are the same as those behind our operating philosophy. Simply put, we treat others – partners, customers, co-workers, everyone – as we would wish them to treat us.

For our customers or guests, this philosophy has resulted in an experience that is consistent, comprehensive and uncompromising. It's a philosophy that everyone at every level of our Company lives and breathes.

The core values on which we've built the Four Seasons brand underlie everything we do: our goals, strategies, tactics and policies. Each activity is so consistently and mutually reinforcing that our values can never be ignored or misunderstood. From senior management on down, we know what it takes to ensure that the Four Seasons experience is delivered at the highest level of quality, consistently around the world. This is important, not only because of the business success we enjoy today, but because of the stable base it has created from which to launch our next phase of significant growth.

In 1999, we opened more new hotels in one year than ever before in our history, including city hotels in Paris and London's Canary Wharf, and resort properties in Scottsdale, Punta Mita, Mexico and Las Vegas. In 2000, we began to see strong fee revenue contribution from these new properties, we opened our first hotel in the Middle East in Cairo, began sales at our second residence club property in Scottsdale, and we prepared for early 2001 openings in Caracas, Prague and Dublin. Four Seasons has now grown to 51 hotels and resorts and two residence clubs operating in 23 countries around the world – and we believe the best is yet to come.

Over the next 10 years, we expect to double the size of Four Seasons, adding new hotels, residence club developments and branded residential properties in urban locations and resort destinations around the world. Our objective is to add five to seven new properties to the Four Seasons portfolio each year. So even if revenue and profitability increases do begin to slow, as many industry experts predict, we expect to continue to meet our growth objectives through new unit additions and brand extension opportunities.

The increasing strength of the Four Seasons brand should allow us to take full advantage of global opportunities to expand in an organized and predictable fashion. We believe our strong customer identification and superior operating results help to make us the management company of choice for developers and investors seeking opportunities in the branded luxury hospitality segment. With 19 new hotels, resorts and residential projects under construction and development, and dozens more in the advanced stages of discussion, we believe that our unit growth targets for the next 10 years are achievable.

At the same time, the strength of commitment to preserving our core values ensures that we will never allow our growth to undermine the integrity of the brand. And, when we design, develop, staff and open a new hotel to Four Seasons standard, it quickly earns a leadership position in its market.

By way of example, the new Four Seasons Hotel Las Vegas opened in a market saturated with larger-than-life hotel and casino products. Offering an intimate, non-gaming environment with highly personalized Four Seasons service, the hotel almost immediately earned five diamonds from the American Automobile Association – the first hotel ever to be awarded AAA Five Diamond status in its first year of operation and still the first of its kind in Nevada. It also achieved an average rate in its first full year of operation that was more than twice the market average.

The Four Seasons Hotel George V in Paris, which opened less than 18 months ago, has also garnered early recognition and accolades. Among them, two Michelin stars awarded to the Hotel's LeCinq Restaurant – another unprecedented achievement. As well, by early 2001, the hotel had already established itself as a yield leader in one of the most prominent five star hotel markets in the world.

In January 2001, Four Seasons marked its twentieth consecutive year earning more AAA Five Diamond awards than any other hotel company. At the corporate level a number of industry surveys recognized this consistent quality, including the latest Zagat International Survey, which named Four Seasons the Top Hotel Chain in the world in 2001. Zagat surveyed nearly 12,000 frequent travellers, being people who stayed at hotels at least 30 nights per year. The verdict on Four Seasons is that "... you can never go wrong at this standard by which others are judged."

These awards and accolades are a strong endorsement of the quality of service we constantly strive to provide to our guests in every aspect of our business. For our customers, knowing that their stay at Four Seasons will always be comfortable, time-saving and frustration-free has become a necessity, not a luxury. The Four Seasons experience offers a valuable and functional support system that far outweighs the relatively small incremental cost, which should help to make Four Seasons more resistant than other luxury brands to any regional economic changes that our industry may face. We will continue to be as customer-focused going forward as we committed ourselves to be many years ago.

To do that, we will of course rely on our people, who are the true strength of the Four Seasons brand. Our ability to constantly improve the performance of our existing hotels and to open new ones successfully is dependent on the talent and hard work of the thousands of Four Seasons employees who are committed to our shared beliefs.

When the Company went public in 1986, there were 7,500 Four Seasons employees, almost all of them working in North America. Today, we number over 26,000, half of whom work outside North America, and all of whom are dedicated to the fundamentals of the Four Seasons philosophy. As importantly, these employees are ready to grow with us as we expand the global reach of the Four Seasons culture and business base in pursuit of our collective objective of making Four Seasons a truly global blue chip enterprise. These accomplished men and women deserve out deepest thanks as we look forward with excitement and confidence to our next 40 years of continued success.

ISADORE SHARP
Chairman and Chief Executive Officer

Four Seasons Management Committee consists of:

Isadore Sharp
Chairman and Chief Executive Officer

Douglas L. Ludwig
Executive Vice President, Chief Financial Officer and Treasurer

Antoine Corinthios
President Europe, Middle East and Africa

Kathleen Taylor
President Worldwide Business Operations

Barbara M. Talbott
Executive Vice President Marketing

James FitzGibbon
President Asia Pacific

Wolf H. Hengst
President Worldwide Hotel Operations

John W. Young
Executive Vice President Human Resources

KATHLEEN TAYLOR
President
Worldwide Business Operations

WOLF H. HENGST
President
Worldwide Hotel Operations

How would you describe Four Seasons – as a lodging company or a luxury goods company, or a lodging brand or a luxury brand?

We believe that Four Seasons combines elements of both. We are a part of one of the largest and fastest growing global industries – travel and tourism. Within this industry, Four Seasons is in the business of managing only luxury hotels, resorts and residential projects. As a result of the growing recognition and prominence of the Four Seasons brand name, and our successful extension of that brand identity into residential and mixed-use projects, we believe that the Company can be considered a lodging brand company. However, because of the high quality of the properties we operate and the nature of our customer base, we could also be considered part of the luxury goods sector. Nonetheless, our business is different from most luxury goods companies in a

DOUGLAS L. LUDWIG
Executive Vice President
Chief Financial Officer

number of important respects. First, the margins in our management services business, and the returns we generate on capital employed, are significantly higher than is typical in the luxury goods sector generally. Moreover, our product is distinguishable from other luxury goods because for most of our customers it is not a discretionary purchase, but one that is necessary to allow them to fulfill their personal and business objectives effectively while travelling away from their homes and offices. As well, the incremental premium paid for the Four Seasons product in absolute dollar terms, is more than justified by the functional value of the customer experience. For this reason, we believe that our business is less cyclical than the luxury goods industry generally.

Given the concern about the short-term growth prospects of economies around the world, including the United States, what do you believe the impact of the anticipated slowdown could be on Four Seasons earnings?

During the last 20 years, we have had only one year in which there was a decline in Company-wide RevPAR: 1991, the year of the Gulf War, terrorism concerns, a severe economic downturn in the United States and a growing supply of hotels in the luxury sector.

Barbara M. Talbott
Executive Vice President
Marketing

John W. Young
Executive Vice President
Human Resources

Although Four Seasons owned significantly more real estate at that time, we believe that our management earnings performance during that period is a fair indicator of our likely performance during any future softening. In 1991, Company-wide RevPAR declined 4%, due primarily to a decline in occupancy levels at our hotels under management. Having said that, Four Seasons management fee revenues continued to grow as new hotels and resorts were added to the global portfolio. Today, Four Seasons is primarily a hotel management company, and the management business is much less sensitive to economic cycles, and significantly less capital intensive than hotel ownership. Our cash reserves currently exceed our overall debt positions, and the profit margins we generate on our management business have increased significantly over the past 10 years, from less than 40% in 1990 to nearly 70% in 2000. In addition, our hotel portfolio is much larger and more globally diversified, allowing us to withstand economic softening in a particular region, as was demonstrated during the recent Asian financial crisis. Moreover, limited supply growth in our major markets, combined with our continuing strong pipeline for new projects in attractive destinations around the world, should help us to achieve our growth targets even if growth in revenue and profitability levels at existing hotels begins to slow.

ANTOINE CORINTHIOS
President
Europe, Middle East and Africa

JAMES FITZGIBBON
President
Asia Pacific

Although the development pipeline is strong, it appears that the hotel opening timetable is somewhat unevenly spread. Does this concern you; would you consider staggering or smoothing the opening schedule?

Our target is to open an average of five to seven new Four Seasons hotels or resorts each year. However, the actual timing of any hotel opening is generally based on the construction and fitting out schedule of the property. Although we have significant input and influence in this process, we would not delay an opening as it would not be in any owner's best interest if the hotel or resort is otherwise ready. Similarly, we would not accelerate a scheduled opening unless we were satisfied that the hotel could be ready to achieve Four Seasons quality and service standards. Over the past few years, we have clearly demonstrated our operational ability to open several new hotels in very widespread locations, even within a few weeks of each other. Our large and growing team of experienced and committed employees should ensure our ability to manage our opening schedule in the months and years ahead.

Why do so many of the projects under development include a residential component? Is there a growing emphasis on this business? How significant will it become?

Four Seasons has been managing and branding residential projects for many years. Examples include condominiums in Boston and Chicago, apartments in Houston and homes in Nevis. However, the number of residential projects in our pipeline is growing

as a result of an increased demand for this type of product, and the positive impact that the inclusion of a residential component has on the overall economics of a major real estate project. Over the next several years we expect to have three to five residential projects in sales in a given year. Our management revenues and earnings are expected to increase significantly, partly due to the number of Four Seasons branded residential projects in active sales, the fee revenue we receive relating to the sales and licensing of these products, and the incremental hotel management fees generated as a result of the usage by residents of the adjacent hotel facilities.

Four Seasons has had the highest RevPAR in the lodging industry for many years. Do you believe that Four Seasons will continue to be the industry leader?

Our RevPAR statistics include regional information for Core Hotels, which are hotels that have been managed by Four Seasons for all of the previous year as well as the current year. When we compare this performance to the publicly disclosed information of our competitors, Four Seasons continues to be the RevPAR leader. While occasionally certain of our competitors post quarterly percentage gains that are marginally higher than Four Seasons, these gains have not been consistently higher, and we have actually widened our RevPAR lead in absolute dollar terms over the past few years. We believe that the value our guests attribute to Four Seasons premier service should allow us to sustain our RevPAR lead in the years ahead.

Worldwide Locations

The Americas

1 Atlanta
2 Austin
3 Aviara
4 Aviara *Resort Club*
5 Exuma, Bahamas
6 Boston
7 Caracas
8 Chicago
9 Chicago *(The Ritz-Carlton)*
10 Costa Rica
11 Dallas
12 Hawaii
13 Houston
14 Jackson Hole
15 Las Vegas
16 Los Angeles
17 Los Angeles *(The Regent Beverly Wilshire)*
18 Maui
19 Mexico City
20 Miami
21 Nevis
22 New York
23 New York *(The Pierre)*
24 Newport Beach
25 Palm Beach
26 Philadelphia
27 Puerto Rico
28 Punta Mita, México
29 Punta Mita, México *Residence Club*
30 San Francisco
31 Santa Barbara
32 São Paulo
33 Scottsdale
34 Scottsdale *Resort Club*
35 Seattle
36 Toronto
37 Vancouver
38 Washington, D.C.
39 Whistler

Asia/Pacific		Europe		Middle East
40 Bali at Jimbaran Bay	49 Singapore	54 Berlin	62 Milan	66 Alexandria
41 Bali at Sayan	50 Singapore *(The Regent)*	55 Budapest	63 Paris	67 Amman
42 Bangkok *(The Regent)*	51 Sydney *(The Regent)*	56 Dublin	64 Prague	68 Beirut
43 Chiang Mai *(The Regent)*	52 Taipei	57 Istanbul	65 Provence	69 Cairo *(First Residence)*
44 Hong Kong *(The Regent)*	53 Tokyo	58 Istanbul *(at the Bosphorus)*		70 Cairo *(Nile Plaza)*
45 Jakarta *(The Regent)*		59 Lisbon		71 Doha
46 Kuala Lumpur *(The Regent)*		60 London		72 Riyadh
47 Kuda Huraa		61 London, *Canary Wharf*		73 Sharm el Sheikh
48 Shanghai				

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Annual Information Form

Consolidated Financial Statements

As of March 1, 2001

Business of Four Seasons

Four Seasons Hotels Inc.[1] was incorporated under the Business Corporations Act (Ontario) on January 6, 1978.[2] FSHI's registered and principal office is located at 1165 Leslie Street, Toronto, Ontario, Canada M3C 2K8. The Limited Voting Shares of FSHI are listed on The Toronto Stock Exchange under the symbol FSH and on the New York Stock Exchange under the symbol FS.

Four Seasons is one of the world's leading managers of luxury hotels and resorts. The Corporation manages 51 luxury hotel and resort properties and two Residence Clubs[3] containing approximately 14,850 guest rooms and fractional units. These properties are operated primarily under the Four Seasons and Regent brand names, in principal cities and resort destinations in 23 countries in North America, Europe, Asia, the Middle East, Australia, the Caribbean and South America. In addition, 19 hotel and resort properties to be operated under the Four Seasons brand name are under construction or development in a further 10 countries around the world. Thirteen of these new hotels and resorts include a Residence Club or other residential component. (A chart summarizing the hotels, resorts, Residence Clubs and Four Seasons branded residential projects managed and under construction or development by Four Seasons is set out on pages 20 through 23). The Corporation's goal is to offer business and leisure travellers the finest accommodation in each destination it serves.

Four Seasons earns revenue from both management and ownership operations. In 2000, approximately 90% of Four Seasons' earnings before other operating items were generated by its management operations. In contrast to more volatile ownership operations, management operations tend to generate relatively stable earnings and cash flow for the Corporation and should provide a more solid platform for future growth. In 2000, revenue generated by the hotels and resorts managed by Four Seasons was approximately $2.8 billion. Four Seasons' consolidated revenue from management and ownership of these properties and Residence Clubs in 2000 was $347.5 million.

Under its management agreements, Four Seasons generally supervises all aspects of a project's operations on behalf of its owner, including sales and marketing, reservations, accounting, purchasing, budgeting and the hiring, training and supervising of staff. For providing these services, Four Seasons typically receives a base fee calculated as a percentage of gross revenues of the property. In addition, Four Seasons may receive incentive fees based on the property's operating performance.[4]

Four Seasons makes investments in, or loans in respect of or to, properties where it is necessary to obtain new management agreements or improve existing management agreements, and where the overall economic return to Four Seasons justifies the investment. The Corporation generally seeks to limit its total long-term capital exposure to no more than 20% of the total equity required for a property, and typically can choose to have its ownership interest diluted if additional capital is required. The Corporation structures its ownership interests separately from its management interests so as to enable the Corporation to dispose of ownership interests as sale opportunities arise, without affecting its management interests.

1 "FSHI" means Four Seasons Hotels Inc. "Four Seasons" or the "Corporation" means, collectively, FSHI and all its subsidiaries, including Four Seasons Hotels Limited ("FSHL"), Four Seasons Hotels and Resorts Asia Pacific Pte Ltd. and FSR International Hotels Limited (formerly known as Regent International Hotels Limited ("Regent")).

2 The articles of FSHI were restated in 1986 to consolidate prior amendments and were amended in 1989 to subdivide each Subordinate Voting Share and each Multiple Voting Share on a 2:1 basis and to create an unlimited number of special shares designated as First Preference Shares and Second Preference Shares. In 1996 the articles were further amended to re-designate the Subordinate Voting Shares as Limited Voting Shares and to create 4,171,924 special shares designated as Variable Multiple Voting Shares, which replaced and have substantially the same rights, privileges, restrictions and conditions as did the Multiple Voting Shares, except that the number of votes per Variable Multiple Voting Share generally increases as Limited Voting Shares are issued and dividends on the Variable Multiple Voting Shares will be in an amount per share equal to 50% of the dividends per Limited Voting Share.

3 Interval and fractional ownership products that are known either as "Four Seasons Resort Clubs" or "Four Seasons Residence Clubs" are referred to herein as "Residence Clubs."

4 See "Management Operations" beginning on page 23.

In order to further capitalize on the value of the Four Seasons brand, the Corporation licenses and manages luxury interval and fractional ownership projects known as Four Seasons Resort Clubs or Four Seasons Residence Clubs and other Four Seasons branded residential projects. The Corporation receives fees for the use of the Four Seasons brand in connection with the sale of the interests in these projects, and for services provided in the oversight of the sales and marketing activities. In addition, the Corporation receives fees from the owners of the interests for services provided in the ongoing management of these projects.

In 1996 the Corporation entered into an agreement with the Carlson Hospitality Group of Minneapolis ("Carlson"). Pursuant to the arrangement Carlson is licensing the Regent brand, and the Corporation receives a share of the licensing revenue generated by Carlson. Under the agreement, Four Seasons continues to manage nine Regent hotels.[5]

Competitive Strengths

The hotel industry is highly competitive. The Corporation believes that it has several distinguishing competitive strengths, including:

Strong Brand Recognition

Four Seasons properties are widely recognized for the exceptional quality of their guest facilities, service and atmosphere, and have been named more frequently than any other competitor among the world's best hotels and travel experiences by *Institutional Investor, Condé Nast Traveler*, AAA Five Diamond, *Zagat* and others. The Corporation believes that its brand name recognition cannot easily be replicated by competitors, as it is dependent upon the establishment of a global chain of unique properties of the highest quality.

Superior Hotel Operating Results

Four Seasons generally achieves average room revenue per available room ("RevPAR") and operating profit margins for hotels under its management above the average achieved in the luxury segment of the lodging industry. Four Seasons believes that owners and developers of luxury hotels worldwide are attracted to the Corporation as a result of the superior financial performance of the hotels under its management.

Global Presence

Four Seasons manages a global portfolio of 51 luxury hotels and resorts and two Residence Clubs in 23 countries. Nineteen additional hotel and resort properties to be operated under the Four Seasons name are under construction or development in a further 10 countries around the world. Hotels currently managed by Four Seasons are located in major international financial centres, such as London, New York, Paris, Chicago, Washington, Los Angeles, Tokyo, Milan, Singapore, Hong Kong, Toronto and Sydney, as well as in emerging international markets, such as Berlin, Dublin and Mexico City. In addition, Four Seasons manages resorts in world-class destinations, such as California, Hawaii, Nevis, Mexico and Bali, and has Residence Clubs in active sales and operation in California and Arizona. Four Seasons anticipates that it will continue to expand in urban and resort destinations where consumer demand warrants a luxury property. In 2000, approximately 71%, 12%, 13%, and 4% of the Corporation's management revenues were derived from hotels and resorts in North America, Asia/Pacific, Europe, and the Middle East/Caribbean/South America, respectively. The Corporation maintains a fully integrated global reservation and sales office system that provides international sales coverage for the Four Seasons properties.

5 See discussion under "Regent Joint Venture" on page 18.

Management Focus

Four Seasons is principally a global hotel and resort management company, deriving over 90% of its 2000 earnings before other operating items from its management business. Although Four Seasons will continue to make loans or investments to secure long-term management contracts, these investments will generally be minority interests and will only be made in order to expand or enhance its management business and where the overall economic return to Four Seasons justifies the investment.

Management agreements for the hotels and resorts managed by the Corporation generally are long-term, having an average remaining term of approximately 57 years for Four Seasons hotels and approximately 22 years for hotels and resorts operated under the Regent name, including extension periods available at Four Seasons' option. These agreements entitle Four Seasons to earn base fees, as well as a range of fees for pre-opening development, purchasing, marketing, advertising and reservation services. The Corporation has the ability to participate in the profits of the hotels under its management through incentive fees in respect of 47 hotels and resorts under management. These incentive fees are generally based on the defined operating profits of the hotel or resort. In 2000, Four Seasons received incentive fees from 36 of the hotels and resorts under management. During the same period, 37 of the hotels and resorts under its management each generated over $1.0 million annually in base and incentive fees, and the average aggregate base plus incentive fees earned for each managed hotel or resort was $2.8 million.

Strategic Relationships

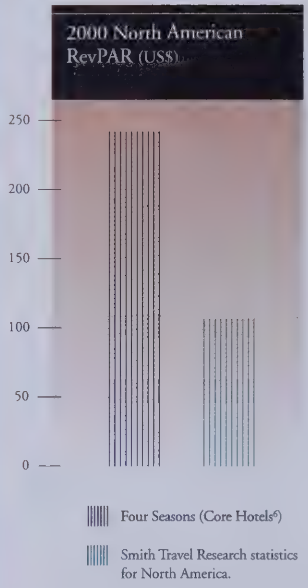
Strategic relationships are an important source of financing for future development opportunities to expand Four Seasons' management operations. Four Seasons has established relationships with numerous institutional and private equity sources that invest in and develop luxury properties. Several of the existing owners have an ownership interest in more than one Four Seasons hotel or resort, including three owners each having an interest in four, five and six properties, respectively. In addition, in 1994, a company controlled by His Royal Highness Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud ("Prince Alwaleed") purchased a significant minority position in FSHI. Since purchasing this interest in FSHI, companies controlled by Prince Alwaleed (collectively, "Kingdom") purchased a majority interest in the Four Seasons Hotel London and purchased the Four Seasons Hotel George V, Paris, which opened under Four Seasons management in late 1999, following an extensive renovation program. Kingdom also holds a minority interest in the Four Seasons resort in Aviara, California and has invested or is expected to make investments in a number of additional properties at various stages of development that the Corporation expects to manage under the Four Seasons brand name, such as the Four Seasons hotels or resorts in Cairo, Amman, Riyadh, Alexandria, Sharm el Sheikh and Beirut.

Strong Management Team

Four Seasons' corporate executive management team consists of eight individuals who are responsible for the global strategic direction of the Corporation and who have an average of approximately 21 years of experience with Four Seasons. This team is supported by 27 corporate vice presidents, who are responsible for various aspects of the Corporation's daily operations, as well as by 55 general managers and regional vice presidents, who together have an average of approximately 13 years of experience with Four Seasons. It is a fundamental strategy of Four Seasons to develop its senior management team, to the extent possible, from within in order to ensure consistency of the Corporation's service culture and work ethic.

Strong Competitive Position

The Corporation believes that its competitive position is strengthened by the significant barriers to entry into the luxury segment of the hotel management business. Those barriers to entry include the time and significant capital resources required to establish a well recognized luxury brand name and to obtain management contracts for luxury properties in strategic markets worldwide. The Corporation also believes that it has developed a unique service culture, depth of management expertise, and multiple capital resources over its nearly 40-year history that would be difficult for a competitor to replicate.



Business and Growth Strategy

The business strategy of Four Seasons is to continue to enhance its industry position and overall profitability through a focused international expansion program that capitalizes on the strengths of its core management operations and the global value of its brand name. In 2000, revenue generated by the hotels and resorts managed by Four Seasons was approximately $2.8 billion. In 2000, the Corporation's consolidated revenues from management and ownership of these properties and Residence Clubs were $347.5 million. From 1996 through 2000, the Corporation increased its management earnings from $55.7 million to $125.8 million, a compounded annual growth rate of 22.6%, and the profit margin in its management operations over this period increased from 58.8% to 67.9%.

The Corporation believes that the strength of its brand name, its global marketing presence and its operational expertise result in RevPAR premiums and strong operating profitability for luxury hotels under its management, providing Four Seasons with a competitive advantage in obtaining new management contracts worldwide. RevPAR for Core Hotels[6] in North America during 2000 was US$242, 126% higher than the RevPAR of the North American luxury segment, as compiled by Smith Travel Research. RevPAR for Core Hotels in Europe during 1999, the most recent year for which comparable data is available, was US$221, 109% higher than the RevPAR of the European luxury segment, as compiled by Horwath International.

The Corporation's growth strategy is to seek to utilize its competitive strengths to increase earnings, cash flow, hotel owners' returns, and shareholder value by continuing to improve the operating performance of its existing hotel portfolio, by generating profitable growth through the acquisition of new management contracts and by capitalizing on opportunities to leverage its luxury brand name through compatible business extensions such as Residence Clubs and other Four Seasons branded residential products.

Growth from Existing Properties

Four Seasons believes opportunities will exist for growth within its existing and newly opened properties by increasing overall market share and RevPAR, thereby improving the hotels' profitability and in turn Four Seasons' fee revenues and ownership earnings. From 1999 to 2000, RevPAR for all Core Hotels increased approximately 10%, and RevPAR for Core Hotels in the United States, Asia/Pacific, Europe and Canada/Mexico increased approximately 10%, 15%, 4% and 1%, respectively. On a Euro basis, RevPAR of European Core Hotels increased approximately 21% in 2000, as compared to 1999. The Canada/Mexico segment was negatively affected by the Vancouver city-wide hotel strike during the third quarter of 2000. Gross operating profit margins for Core Hotels in the United States, Asia/Pacific and Europe increased as a percentage of total hotel revenue from 36.2%, 33.1% and 37%, respectively, in 1999 to 37%, 37.8% and 39.8%, respectively, in 2000. The gross operating profit margins for the Core Hotels in Canada/Mexico decreased as a percentage of total hotel revenue from 33% in 1999 to 31.4% in 2000 for the reason noted above. Overall, incentive fees increased 42% to $49.8 million in the year ended December 31, 2000.

6 The term "Core Hotels" means hotels and resorts under management for the full year of both 2000 and 1999. Changes from the 1999/1998 Core Hotels are the additions of the Four Seasons Hotel Berlin, the Four Seasons Resort Kuda Huraa and the Four Seasons Resort Bali at Sayan.

RevPAR Statistics—Core Hotels (in US$)

Region	Occupancy		Average Room Rate		RevPAR	
	2000	1999	**2000**	1999	**2000**	1999
United States	**76.5%**	74.9%	**$ 340**	$ 317	**$ 261**	$ 237
Asia/Pacific	**65.6%**	59.9%	**$ 182**	$ 174	**$ 119**	$ 104
Europe	**73.3%**	68.7%	**$ 314**	$ 321	**$ 230**	$ 221
Canada/Mexico	**67.4%**	68.4%	**$ 186**	$ 181	**$ 125**	$ 124
All Core Hotels	**72.5%**	69.8%	**$ 287**	$ 272	**$ 208**	$ 190

New Hotel and Resort Opportunities

Having established a network of luxury hotels in many of the world's key financial centres, future expansion is expected to occur primarily in locations that satisfy Four Seasons' objectives of better servicing the travel needs of its existing customer base and attracting new international business travellers to its managed hotels and resorts worldwide. Four Seasons expects that future growth will primarily be in the form of new hotels and resorts, or the conversion of existing hotels and resorts, in Europe, the Middle East, South America and Asia/India, as well as selected urban and resort locations in the United States and the Caribbean. Overall, Four Seasons plans to increase the number of resorts it manages in order to serve the leisure travel needs of its customers, which should reduce the seasonality of its cash flows. Four Seasons currently has 19 new hotel and resort properties under construction or development and is evaluating over 45 additional management opportunities in various locations around the world.

The Corporation believes that it will continue to have the opportunity to consider and enter into appropriate new hotel and resort management agreements as a result of its competitive strengths. In 2000, the Corporation began operations at Four Seasons Hotel Cairo at The First Residence. In early 2001, the Corporation began operations at the Four Seasons Hotel Caracas, the Four Seasons Hotel Dublin and the Four Seasons Hotel Prague. The Corporation also expects to begin operating the Four Seasons Hotel San Francisco in 2001 and the Four Seasons Resort Sharm el Sheikh in early 2002. For details on these and other hotels under construction or advanced stages of development see the chart on pages 22 to 23.

New Residence Clubs and Other Branded Residential Properties

As part of its program to capitalize on the value of the Four Seasons brand, the Corporation is embarking on opportunities, such as additional Residence Clubs and other branded and serviced residential projects, for the most part integrated with Four Seasons managed hotels and resorts. Four Seasons is currently selling interests in such properties adjacent to the Four Seasons Resorts in Aviara, California and Scottsdale, Arizona, and the Four Seasons Residences San Francisco are also currently in sales. The sales and marketing of the Four Seasons Residence Club is expected to commence for Punta Mita, Mexico in 2001. Four Seasons anticipates pursuing similar initiatives in a number of its future resort and urban developments. The Corporation receives fees for the use of the Four Seasons brand in connection with the sale of the interests in these projects, and for services provided in the oversight of sales and marketing activities. In addition, the Corporation receives fees from the owners of the interests for services provided in the ongoing management of these projects.

Regent Joint Venture

Under the terms of its December 1996 alliance with Four Seasons, Carlson acquired the rights to the Regent name for new development, and has created a luxury hotel division that is engaged in a worldwide development program to expand the chain of Regent hotels and vacation ownership properties through the addition of new licence arrangements and management contracts under the Regent brand. Four Seasons currently manages the nine Regent hotels listed in the chart on pages 20 and 21.

In addition to its share of management fees from the nine existing Regent hotels that Four Seasons manages, Four Seasons is entitled to receive payments from Carlson calculated as a percentage of the gross royalty revenue of the new development effort. These payments are determined by the success of the enterprise in generating revenue. Carlson is responsible for the operating costs relating to the Regent venture. The goal of the alliance is to maximize the global value of the Regent brand name by creating a larger chain of Regent properties throughout the world.

As at February 2001, Carlson has opened four Regent hotels (The Regent Almaty, Kazakhstan; The Regent, Las Vegas (previously, the Grand Palms and the Grand Spa); The Regent Mumbai, India; and The Regent Wall Street). Carlson has announced a new hotel in Boston, Massachusetts, and two fractional ownership projects, Club Regent, Park City, Utah and Club Regent, Fort Lauderdale Beach, Florida.

Capital Deployment

The Corporation does not generally require large amounts of capital to maintain existing management agreements or its ownership positions, which are typically minority interests. As a result, in 2000, the Corporation utilized most of its operating cash flow to make investments that allowed the Corporation to obtain new or enhanced management agreements. As at December 31, 2000 the Corporation had $218.1 million in cash reserves and approximately US$200 million available under its existing bank operating lines.

Industry Awards

Four Seasons has gained a worldwide reputation for quality, service and innovation in the luxury segment of the business and leisure travel market. This reputation has been widely acknowledged by the following leading surveys of hotel properties:

Institutional Investor

Seventeen Four Seasons hotels were ranked among the world's top 80 hotels in a survey of international financiers published in the September 2000 issue of *Institutional Investor*. The Corporation also had 11 hotels in the "Top 30" Regional America's Ranking, including the Four Seasons Hotel New York, which was ranked number one.

AAA Five Diamond Awards

Seventeen Four Seasons properties received the 2001 AAA Five Diamond Award, making Four Seasons the leader in this survey for 20 consecutive years. In addition, seven Four Seasons restaurants received the prestigious Five Diamond Award for Restaurants: Aujourd'hui at the Four Seasons Hotel Boston; Seasons Restaurant at the Four Seasons Hotel Chicago; Seasons at the Four Seasons Resort Maui at Wailea; El Restaurante at the Four Seasons Hotel Mexico City; The Restaurant at the Four Seasons Resort Palm Beach; Fountain Restaurant at the Four Seasons Hotel Philadelphia; and Truffles at the Four Seasons Hotel Toronto.

Condé Nast Traveler's Readers' Choice Awards

Ten Four Seasons properties were listed in the "Top 25 North American Hotels" category of the 13th Annual Readers' Choice Awards. Four Seasons captured the number one spot in numerous categories, including "Top Asian Hotel" (The Regent Bangkok); "Top European Hotel" (Four Seasons Hotel Istanbul); "Top Asian Resort" (Four Seasons Resort Bali at Jimbaran Bay); and "Top Caribbean/Atlantic Resort" (Four Seasons Resort Nevis).

Travel & Leisure

Travel & Leisure's "World's Best" awards in September 2000 listed 18 Four Seasons and Regent hotels among the "Top 100 Hotels."

Andrew Harper's Hideaway Report

Sixteen Four Seasons properties received honours in the annual readers' survey on "The World's Best Hotels & Resorts."

Mobil Travel Guide

Five Four Seasons properties (Four Seasons Hotel New York; Four Seasons Hotel Atlanta; Four Seasons Hotel Chicago; Four Seasons Hotel Boston; and Four Seasons Resort Palm Beach) received the Mobil Five-Star award for 2001.

Zagat

Four Seasons properties achieved top honours in the latest *Zagat Survey 2001 Top U.S. Hotels, Resorts & Spas.* In Zagat's sixth survey of the U.S. lodging industry since 1987, Four Seasons reaped four of the six major awards in the survey, including, *"Top Hotel Chain"*; *"Top Hotel"* (Four Seasons Hotel New York); *"Top Resort"* (Four Seasons Resort Hualalai at Historic Ka'upulehu); and *"Top Hotel Spa"* (Four Seasons Resort Hualalai at Historic Ka'upulehu). Five other Four Seasons properties ranked in the *"Top Ten Hotels"* category, including, Four Seasons Hotel Chicago; Four Seasons Hotel Las Vegas; The Ritz Carlton Hotel Chicago (a Four Seasons hotel); Four Seasons Hotel Boston; and Four Seasons Hotel Los Angeles. Four Seasons Resort Maui at Wailea and Four Seasons Resort Aviara also made the list of *"Top Ten Resorts"*, while Four Seasons Resort Maui at Wailea, Four Seasons Hotel New York, Four Seasons Resort Aviara, and Four Seasons Resort Palm Beach joined Four Seasons Resort Hualalai at Historic Ka'upulehu on the *"Top Ten Hotel Spa"* list.

In the *Zagat Survey 2001 Top International Hotels, Resorts & Spas,* Four Seasons was also named *"Top Hotel Chain"*. The list of *"Top 100 Hotels"* included 16 Fours Seasons hotels in total, and 4 of the world's *"Top Ten Hotels"* are Four Seasons properties: Four Seasons Hotel Milan; The Regent Hong Kong (a Four Seasons hotel); Four Seasons Hotel George V Paris; and Four Seasons Hotel Singapore. Four Seasons Resort Bali at Jimbaran Bay was ranked number one in the *"Top 50 Resorts"* list, while The Regent Chiang Mai Resort and Spa (a Four Seasons hotel) was ranked number one in the *"Top 20 Spas"* category. Other notable achievements include *best-in-country rankings* for Four Seasons Hotel Berlin (best hotel in Germany); Four Seasons Hotel Tokyo (best hotel in Japan); Four Seasons Hotel Vancouver (best hotel in Canada); and Four Seasons Hotel Milan (best hotel in Italy).

Description of Hotels, Resorts and Residence Clubs

Four Seasons properties are comprised of luxury hotels, resorts and Residence Clubs whose target customers are principally business travellers, corporate and incentive groups and discriminating leisure travellers. Four Seasons urban hotels generally are centrally located in the commercial and financial districts of the world's leading cities in North America, South America, Asia, Europe and the Middle East. Four Seasons luxury resorts and Residence Clubs provide extensive recreational facilities and meeting facilities to attract upscale leisure travellers and groups. The following table sets forth certain information relating to each property managed by Four Seasons:

Hotel/Resort/Residence Club and Location	Approximate Number of Rooms/Units	Approximate Equity Interest [1]
North America/South America/Caribbean		
Four Seasons Hotel Atlanta, *Georgia, USA*	244	—
Four Seasons Hotel Austin, *Texas, USA*	291	—
Four Seasons Resort Aviara, *California, USA*	329	7.3% [2]
Four Seasons Resort Club Aviara, *California, USA*	120[3]	7.3% [2]
The Regent Beverly Wilshire Hotel (Beverly Hills), *California, USA*	395	—
Four Seasons Biltmore Resort (Santa Barbara), *California, USA*	217	—
Four Seasons Hotel Boston, *Massachusetts, USA*	274	—
Four Seasons Hotel Caracas, *Venezuela* [4]	212	—
Four Seasons Hotel Chicago, *Illinois, USA*	343	—
The Ritz-Carlton Hotel Chicago, *Illinois, USA*	435	—
Four Seasons Hotel Houston, *Texas, USA*	404	—
Four Seasons Resort Hualalai (Kona), *Hawaii, USA*	243	—
Four Seasons Resort and Club Las Colinas (Dallas), *Texas, USA*	357	—
Four Seasons Hotel Las Vegas, *Nevada, USA*	424	—
Four Seasons Hotel Los Angeles, *California, USA*	285	—
Four Seasons Resort Maui at Wailea, *Hawaii, USA*	380	—
Four Seasons Hotel Mexico City, *Mexico*	240	—
Four Seasons Resort Nevis, *Nevis*	196	—
Four Seasons Hotel Newport Beach, *California, USA*	285	—
Four Seasons Hotel New York, *New York, USA*	370	—
Four Seasons Resort Palm Beach, *Florida, USA*	210	—
Four Seasons Hotel Philadelphia, *Pennsylvania, USA*	364	—
The Pierre (New York), *New York, USA*	202[5]	100% [6]
Four Seasons Resort Punta Mita, *Mexico*	140	— [7]
Four Seasons Resort Scottsdale at Troon North, *Arizona, USA*	210	3.9% [2][8]
Four Seasons Resort Club Scottsdale at Troon North, *Arizona, USA*	23[9]	65.8% [2][10]
Four Seasons Olympic Hotel (Seattle), *Washington, USA*	450	3.4% [6]
Four Seasons Hotel Toronto, *Ontario, Canada*	380	—
Four Seasons Hotel Vancouver, *British Columbia, Canada*	385	100% [6]
Four Seasons Hotel Washington, *District of Columbia, USA*	259	—

Hotel/Resort/Residence Club and Location	Approximate Number of Rooms/Units	Approximate Equity Interest [1]
Asia/Pacific		
Four Seasons Resort Bali at Jimbaran Bay, *Indonesia*	147	—
Four Seasons Resort Bali at Sayan, *Indonesia*	54	—
The Regent Hotel Bangkok, *Thailand*	356	—
The Regent Resort Chiang Mai, *Thailand*	75	—
The Regent Hong Kong, *Hong Kong*[11]	602	25% [6]
The Regent Hotel Jakarta, *Indonesia*[12]	365	—
The Regent Hotel Kuala Lumpur, *Malaysia*	468	—
Four Seasons Resort Kuda Huraa, *Maldives*	106	—
Four Seasons Hotel Singapore, *Singapore*	254	—
The Regent Hotel Singapore, *Singapore*	441	—
The Regent Hotel Sydney, *Australia*	531	15.2% [6]
The Regent Hotel Taipei, *Taiwan*	539	—
Four Seasons Hotel Tokyo, *Japan*	283	—
Europe/Middle East		
Four Seasons Hotel Berlin, *Germany*	204	100% [6][13]
Four Seasons Hotel Cairo at The First Residence, *Egypt*	271	—
Four Seasons Hotel Dublin, *Ireland*	259	—
Four Seasons Hotel Istanbul, *Turkey*	65	— [14]
Four Seasons Hotel The Ritz Lisbon, *Portugal*	283	—
Four Seasons Hotel Canary Wharf, *England*	142	— [15]
Four Seasons Hotel London, *England*	220	12.5% [6]
Four Seasons Hotel Milan, *Italy*	118	—
Four Seasons Hotel Prague, *Czech Republic*	162	67% [6][16]
Four Seasons Hotel George V, *Paris, France*	245	—

1 The Corporation makes investments in, or loans in respect of or to, properties where it is necessary to obtain new management agreements or improve existing management agreements, and where the overall economic return to the Corporation justifies the investment. The Corporation generally seeks to limit its total long-term capital exposure to no more than 20% of the total equity required for a property. For a description of the Corporation's investments in and loans to existing properties, including the equity investments listed in the table, see Management's Discussion and Analysis on pages 41 and 42.

2 Freehold interest.

3 The Four Seasons Resort Club Aviara may have up to 240 units at full build out.

4 This project is expected to include a Four Seasons Residence Club or a Four Seasons branded residential component.

5 Includes approximately 30 cooperative suites leased from individual owners and operated as hotel rooms.

6 Leasehold interest.

7 The Corporation sold its 30.8% freehold interest in February 2001.

8 Four Seasons has a preferred profits interest of approximately US$10.6 million subordinated debt from the hotel which may be increased to reflect any construction cost overruns funded for completion of the hotel.

9 The Four Seasons Resort Club Scottsdale at Troon North may have up to 126 units at full build out.

10 It is anticipated that the Corporation will reduce its equity interest through a sale to a third party.

11 Initial terms of the operating lease and management agreement expired in December 2000. An option to extend the lease agreement for an additional 10 years was exercised. The Corporation owns a 25% interest in the corporation that owns the operating lease for the hotel. However, the owner of the 75% interest in the lessee corporation is a company controlled by the landlord. The landlord and the lessee have referred to arbitration determination of the rent to be paid during the renewal term. The management agreement has been extended to May 31, 2001 and the Corporation will continue to pursue other transactions through which it may secure its right to continue to manage the hotel. The lessee corporation, and not Four Seasons, controls the negotiation of a new management agreement, which the Corporation understands the lessee corporation also has been pursuing with other parties. The Corporation intends to take whatever actions are available to it to attempt to ensure the value of its interest in the leasehold is not affected negatively, and if possible, to secure long-term management rights.

12 The owner of the hotel has a bank loan which is secured by the hotel. The hotel owner also has an unsecured loan by the Corporation of US$5 million. The hotel owner stopped servicing the bank loan and that loan has been classified by the Indonesian Banking Restructuring Agency ("IBRA") as non-performing. The IBRA has acquired the loan from the bank. The hotel owner is preparing to present a restructuring plan to the IBRA but it is possible that the IBRA will enforce its security and sell the hotel. In that event, the Corporation, along with the other unsecured creditors of the hotel owner, would be entitled to obtain repayment from the sale proceeds, proportionately, after outstanding claims of all secured creditors have been satisfied. Further, as a result of the financial condition of the hotel owner, the Corporation had previously agreed to defer certain fees payable to it pursuant to the management agreement. The Corporation has fully reserved for its loan and all deferred fees. While the Corporation does not control the restructuring negotiations, the Corporation intends to take whatever actions are available to it, including actively participating in the restructuring discussions, to protect its interest in the hotel, to realize on its loan and deferred fees, and to ensure management of the hotel remains with the Corporation.

13 The Corporation disposed of its interest in the company that owned the hotel in September 2000.

14 Subject to satisfaction of certain conditions, an 18% leasehold interest may be acquired by the Corporation in conjunction with a proposed expansion and renovation of the Four Seasons Hotel Istanbul.

15 The Corporation has made a loan of £3 million which is convertible into an equity interest in the hotel on the occurrence of certain events.

16 The hotel opened in the first quarter of 2001. The Corporation anticipates disposing of its 67% interest by the end of the second quarter of 2001.

Four Seasons currently has 19 hotels and resorts under construction or development that are to be operated under the Four Seasons name. In addition, a Residence Club is under development adjacent to the Four Seasons Resort in Punta Mita, Mexico. The following table sets forth certain information relating to these properties:

Hotel/Resort/Residence Club and Location[1]	Approximate Number of Rooms	Scheduled Opening	Capital Commitment Funded or Expected to Be Funded (millions)
Four Seasons Hotel Alexandria, *Egypt*[2]	120	2004	—
Four Seasons Hotel Amman, *Jordan*	197	2002	US$5.5 [5]
Four Seasons Hotel Beirut, *Lebanon*	287	2004	US$5 [5]
Four Seasons Hotel Budapest, *Hungary*	170	2002	€10 [4][5]
Four Seasons Hotel Nile Plaza, *Cairo, Egypt*[2]	374	2003	US$5 [5]
Four Seasons Resort Costa Rica, *Costa Rica*[2]	170	2003	US$13 [4][5]
Four Seasons Hotel Doha, *Qatar*[2]	235	2003	US$4 [4]
Four Seasons Resort Exuma, *The Bahamas*[2]	229	2002	US$20 [4]
Four Seasons Hotel Istanbul at the Bosphorus, *Turkey*	170	2003	US$16.4 [5]
Four Seasons Resort, Jackson Hole, *Wyoming, USA*[2]	124	2003	US$12.7 [5]
Four Seasons Hotel Miami, *Florida, USA*[2]	222	2002	US$10 [5]
Four Seasons Resort Provence at Terre Blanche, *France*[2]	100	2003	—
Four Seasons Resort Puerto Rico, *Puerto Rico*[2]	250	2004	US$10 [5]
Four Seasons Residence Club Punta Mita, *Mexico*	34[3]	2003[6]	US$1.3 [5][7]
Four Seasons Hotel Riyadh, *Saudi Arabia*[2]	242	2002	—
Four Seasons Hotel San Francisco, *California, USA*[2]	277	2001	US$18.6 [4]
Four Seasons Hotel São Paulo, *Brazil*	124	2002	US$15 [4]
Four Seasons Hotel Shanghai, *People's Republic of China*	440	2002	US$17.5 [5]
Four Seasons Resort Sharm el Sheikh, *Egypt*[2]	141	2002	—
Four Seasons Resort Whistler, *British Columbia, Canada*[8]	254	2004	$26 [5]

1 Information concerning hotels, resorts and Residence Clubs under construction or under development is based upon agreements and letters of intent and may be subject to change. The dates of opening and proposed capital commitments have been estimated by management based upon information provided by the various developers. There can be no assurance that the date of opening will be achieved, that estimated capital commitments will not change or that these projects will be completed.

2 This project is expected to include a Four Seasons Residence Club or a Four Seasons branded residential component.

3 The Four Seasons Residence Club Punta Mita may have up to 86 units at full build out.

4 Debt.

5 Equity.

6 Sales of interests in the Residence Club are expected to commence in 2001.

7 It is anticipated that the Corporation will reduce its equity interest through a sale to a third party.

8 This project is expected to be a condominium hotel subject to a mandatory rental pool which will be managed and operated by Four Seasons.

Management Operations

Management Agreements

Four Seasons generally manages all of its hotels pursuant to separate management agreements. Three hotels are supervised pursuant to lease agreements with third party hotel owners. Under its management agreements, Four Seasons generally oversees all aspects of the day-to-day operations of each hotel on behalf of the hotel owner, including hiring, training and supervising staff, maintaining sales and marketing efforts, providing hotel accounting, purchasing and budgeting functions, providing support for management information systems and applications and providing for the safekeeping, repair and maintenance of the physical assets. Four Seasons performs these services within the guidelines contained in annual operating and capital plans that are submitted to the owners of the hotels during the last quarter of the preceding year for their review and approval. For these services, Four Seasons generally earns a number of fees including a base fee equal to a percentage of hotel gross operating revenue, and incentive fees based on certain operating results of the hotel.

Four Seasons provides centralized reservations services, worldwide sales offices, marketing programs and advertising services to the Four Seasons hotels under its management and supplementary oversight sales support to the Regent hotels that it manages. Core marketing and reservation services for the Regent brand are provided by Carlson.[8]

Four Seasons supervises purchasing at all the Four Seasons hotels and certain Regent hotels under its management in order to maintain a uniform quality of goods purchased and to control hotel operating costs. Four Seasons maintains a centralized purchasing system and receives a fee calculated as a percentage of the cost of goods purchased when this system is utilized by the hotels under management.

Although the owners are generally responsible for financing and managing the development of hotels, Four Seasons typically plays a significant pre-opening role. Four Seasons provides advice with respect to the design, construction and fitting out specifications of hotels during the development stage to ensure that they meet Four Seasons' standards. Four Seasons earns a variety of fees for these pre-opening services. Four Seasons may also assist owners in connection with the refurbishment of hotels after opening in return for which it would earn a refurbishing fee.

Under the Corporation's management agreements, the hotel owner is responsible for funding the hotel's capital expenditures and working capital requirements, including the salaries and benefits of all hotel employees. The hotel owner typically is required to set aside a percentage of hotel revenue each year as a capital reserve for the hotel. Such percentages typically range from 3% to 5% of hotel annual gross operating revenues. Four Seasons proposes an operating plan and capital expenditure budget to the hotel owner for approval on an annual basis. All structural changes, major refurbishing programs and major repairs require the separate approval of hotel owners prior to implementation by Four Seasons.

Total fee revenues are geographically diversified around the world. North America is the only geographic segment which contributed in excess of 40% of all fee revenues in 2000. The diversification of fee revenues has increased significantly over the past nine years. With the opening of hotels and resorts currently under construction and development around the world, the Corporation expects greater diversification of fee revenues in the future.

8 See "Regent Joint Venture" on page 18.

Residence Clubs and Other Branded Residential Properties

The Corporation is responsible for the branding and sales and marketing of Residence Club interests and the branding of other Four Seasons residential projects. For these services, it is entitled to receive fees based on a percentage of the gross selling price of the interests and the use of the Four Seasons name. In addition, the Corporation is to receive an ongoing management fee from the owners of the interests for the management of the day-to-day operations of the completed projects.

Sales and Marketing

Four Seasons is responsible for the development of overall sales and marketing strategies for the portfolio of Four Seasons managed hotels, which include building international awareness for the Four Seasons brand and developing local market potential for specific hotels. Four Seasons' marketing efforts are coordinated through its headquarters in Toronto and are targeted at the luxury segment of the market worldwide. Four Seasons' customer mix consists principally of business travellers, groups (including corporate and incentive), and leisure travellers. These customer segments accounted for an estimated 37%, 32% and 31%, respectively, of total room nights in 2000. The corporate marketing staff also oversees the planning and implementation of hotel marketing programs and organizes the training and development programs for the global sales force and the local sales and marketing staff.

Four Seasons has a global sales force of approximately 100 people in 13 integrated sales offices in Atlanta, Chicago, Dallas, Frankfurt, Hong Kong, London, Los Angeles, New York, Singapore, Sydney, Tokyo, Toronto and Washington, D.C. Key objectives of the sales force are to attract groups and corporate business travellers for the hotels and resorts, as well as to establish personal contacts with nationally recognized travel agencies. In addition, a total of over 300 salespeople are employed locally at hotels under management. The local marketing strategy concentrates on developing rooms and food and beverage business for hotels locally and regionally, and promoting the hotel as a centre of community activity with a view to increasing local revenues.

Four Seasons also provides an international corporate advertising program that develops and places advertising for the Four Seasons hotels and oversees each hotel's promotional programs. The Corporation's advertisements are designed to enhance consumer awareness of Four Seasons' luxury service and the value that such services provide to the business and leisure traveller.

The Corporation staffs one reservation centre for all Four Seasons branded hotels and resorts. In addition, the Corporation's global reservation service system provides reservation services in the local language in major North American, Asian and European cities, in a total of 25 markets worldwide. Electronic reservations are another key part of Four Seasons' global distribution network, as Four Seasons reservation systems are fully integrated with international airline booking systems. Finally, the Internet is a growing distribution channel which is supported by Four Seasons' website – www.fourseasons.com. The website accepts on-line reservations and also refers guests to other reservation channels.

The Corporation receives corporate sales and marketing fees, centralized reservation service fees and corporate advertising fees from all Four Seasons hotels, thereby enabling it to recover all or substantially all of the costs of providing these services.

Management Resources

Each Four Seasons property is managed by a general manager and supported by a regional vice president (who also is a general manager), and other corporate vice presidents. The size of each property's management team and its hourly staff varies, based on the size and business volume of the particular property. Property management monitors staffing levels on an ongoing basis to optimize service standards and labour productivity.

A general manager is responsible for supervising the day-to-day operations of a single property and is compensated in part based on the operational performance of that property. Four Seasons general managers report directly to one of 13 regional

vice presidents or directly to one of two senior vice presidents, operations. A regional marketing director, an area director of finance and a regional human resource director complete each regional support team. The majority of these individuals are full-time employees of a Four Seasons managed property, with a portion of their time being devoted to regional activities. The Corporation believes its regional management structure is a key component in Four Seasons' ability to deliver and maintain the highest and most consistent standards of product quality and service at each of its properties in a cost effective manner, especially as it expands globally.

From the corporate level, the Corporation provides each property with the benefits of management services delivered by a network of highly experienced executives, corporate personnel and area managers. The Corporation also provides or arranges assistance and training to each property's employees for administration, operations, rooms and guest service, reservations, maintenance and engineering, human resources and benefits. Other services provided by the Corporation include advice and assistance with accounting, tax, legal, risk management, treasury, information technology, internal audit and credit services.

Employees

Four Seasons directly employs and is financially responsible for approximately 350 people at the various corporate offices, worldwide sales offices and the central reservations offices. In addition, there are approximately 26,400 employees located at the 51 hotels and resorts and two Residence Clubs managed by Four Seasons. All costs relating to property based employees, including wages, salaries and health and insurance benefits, are the responsibility of the property owners and are generally paid out of the operating cash flow of the property. Management and corporate staff share responsibility for the selection and training of property based employees and for ensuring, through progressive career development, an adequate supply of mobile, qualified and experienced staff to match the growth of the Corporation's operations internationally. Maintenance of employee communication, motivation and morale at high levels is necessary to meet the expectations of Four Seasons' clientele. A significant effort has been devoted to developing customized hiring practices, training and career development programs and approaches in this context.

Of the 51 hotels and resorts under management, 16 are covered by collective bargaining agreements.

Ownership Operations

Four Seasons holds an ownership interest in, or has loans in respect of or to, 23 of the 51 hotels and resorts and two Residence Clubs currently under management. Four Seasons' most significant ownership interests are: a 100% leasehold interest in the Four Seasons Hotel Vancouver, The Pierre in New York, and the Four Seasons Hotel Berlin,[9] a 25% leasehold interest in The Regent Hong Kong,[10] and until the anticipated sale of Four Seasons' ownership interest in the second quarter of 2001, a 67% freehold interest in the Four Seasons Hotel Prague. The Corporation also holds secured cash flow loans in connection with the Four Seasons Hotel London[11] and has loans outstanding in connection with the Four Seasons Hotel George V, Paris, The Regent Hotel Sydney and the Four Seasons Resort Scottsdale at Troon North.[12] After completion of the anticipated sale of Four Seasons' ownership interest in the Four Seasons Hotel Prague, the Corporation will have a loan in connection with that property of approximately €6,700,000.

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9 See discussion under "Four Seasons Hotel Berlin" on page 33.

10 See note 4(a) to the consolidated financial statements.

11 See note 3(a) and (b) to the consolidated financial statements.

12 See note 4(b) to the consolidated financial statements.

Four Seasons works closely with the owners and investors in developing new properties and acquiring existing luxury properties to be managed by Four Seasons. To the extent required, Four Seasons will make loans or investments to secure long-term management contracts, but these investments will only be made in order to expand or enhance its management business and where the overall economic return to Four Seasons justifies the investment. However, Four Seasons generally limits its total long-term capital exposure to no more than 20% of the total equity required for the new property and typically can choose to have its ownership interest diluted if additional capital is required. The Corporation attempts to structure its ownership interests separately from its management interests so as to enable it to dispose of an ownership interest as sale opportunities arise, without affecting its management interests.

Intellectual Property

In the highly competitive service industry in which Four Seasons operates, trade names, trademarks and service marks are very important in the sales and marketing of those services. Four Seasons has a significant number of trade names, trademarks, service marks and logos, and significant time and effort are incurred each year on surveillance, registration and protection of its trade names, trademarks, service marks and logos, which Four Seasons believes have become synonymous in the lodging industry with a standard of attention to detail and an unwavering dedication to excellence.

Four Seasons and Carlson have entered into an arrangement pursuant to which Carlson has acquired rights to the Regent name for new development. Carlson now owns and has exclusive right to use the Regent name and related trade names, trademarks, service marks and logos and has granted Four Seasons the right to use the Regent name and related marks and logos at Regent properties managed by Four Seasons. The costs associated with the maintenance of the Regent brand and marks are the obligation of Carlson.

Selected Consolidated Financial Information

Two-Year Summary by Quarter

	4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
(In millions of dollars except per share amounts)	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
Consolidated revenues	**$ 104.1**	$ 85.8	**$ 80.8**	$ 66.0	**$ 90.6**	$ 68.6	**$ 72.0**	$ 57.1
Earnings (loss) before other operating items:								
Management operations	**39.1**	25.4	**29.9**	23.0	**31.9**	21.6	**24.8**	19.1
Ownership operations	**8.6**	11.5	**3.4**	1.0	**3.7**	0.7	**(2.1)**	(4.8)
Net earnings:								
Total	**$ 38.5**	$ 33.9	**$ 23.1**	$ 20.3	**$ 27.1**	$ 22.2	**$ 14.4**	$ 10.1
Basic earnings per share	**$ 1.11**	$ 0.98	**$ 0.67**	$ 0.60	**$ 0.78**	$ 0.64	**$ 0.42**	$ 0.30

Five-Year Review

(In millions of dollars except per share amounts)	2000[1]	1999	1998	1997	1996
Statements of Operations Data:					
Consolidated revenues[2]	**$ 347.5**	$ 277.5	$ 247.9	$ 240.4	$ 121.0
Management Operations:					
Revenues	**$ 185.3**	$ 144.0	$ 126.9	$ 106.0	$ 94.7
Management earnings before other operating items	**125.8**	89.1	79.9	63.7	55.7
Ownership Operations:					
Revenues	**161.1**	132.4	125.2	135.3	17.6
Distribution from hotel investments	**9.0**	8.3	2.7	6.4	9.4
Ownership earnings before other operating items	**13.6**	8.4	8.1	15.4	8.9
Earnings before other operating items	**139.4**	97.5	88.0	79.1	64.6
Depreciation and amortization	**(14.0)**	(12.5)	(15.2)	(15.8)	(14.0)
Other operating income (expense), net	**8.7**	3.6	2.1	(12.0)	—
Earnings from operations[3]	**134.0**	88.6	74.9	51.3	50.6
Interest income (expense), net	**4.2**	0.4	(3.8)	(8.9)	(18.8)
Earnings before income taxes[4]	**138.2**	89.0	71.1	42.4	31.8
Income tax expense	**(35.1)**	(2.5)	(1.4)	(1.6)	(2.0)
Net earnings	**$ 103.1**	$ 86.5	$ 69.7	$ 40.8	$ 29.8
Earnings per share:					
Basic	**$ 2.98**	$ 2.52	$ 2.06	$ 1.24	$ 1.04
Weighted average number of shares (millions)[5]	**34.6**	34.3	33.8	32.8	28.7
Cash Flow Data:					
Cash provided by operations	**$ 102.6**	$ 106.8	$ 75.8	$ 64.8	$ 43.7
Cash provided by (used in) financing	**3.6**	202.5	33.3	3.6	(45.8)
Cash used in capital investments	**(112.0)**	(102.9)	(117.2)	(58.3)	(19.6)
Balance Sheet Data:					
Cash and cash equivalents	**$ 218.1**	$ 222.2	$ 17.6	$ 25.3	$ 15.4
Total assets	**984.4**	832.1	545.1	453.2	385.3
Long-term obligations	**204.9**	187.1	165.0	140.2	240.0
Shareholders' equity	**708.2**	587.7	330.4	254.5	88.1
Other Data:					
Total revenues of all managed hotels and resorts[6]	**$ 2,820.7**	$ 2,370.2	$ 2,270.7	$ 2,119.4	$ 1,901.5
Management operating margin[7]	**67.9%**	61.9%	62.9%	60.1%	58.8%
Management earnings before other operating items as a % of earnings before other operating items	**90.2%**	91.4%	90.7%	80.5%	86.2%
EBITDA[8]	**$ 139.4**	$ 97.5	$ 88.0	$ 79.1	$ 64.6
Market price per share at year-end	**$ 95.30**	$ 76.80	$ 45.00	$ 45.00	$ 27.75
Shares outstanding (millions)[5]	**34.9**	34.5	33.9	33.7	28.7
Market capitalization at year-end	**$ 3,322.4**	$ 2,649.1	$ 1,526.0	$ 1,517.4	$ 797.2
Employees[9]	**26,800**	25,300	23,000	22,000	21,000

1 The data for 2000 reflects the change in accounting policies relating to the accounting for future employee benefits, including pension benefits, and the accounting for income taxes (see note 1(j) to the consolidated financial statements).

2 Consolidated revenues are comprised of revenues from management operations, revenues from ownership operations and distributions from hotel investments, less fees from ownership operations to management operations.

3 Earnings from operations represent earnings before other operating items less (i) depreciation and amortization plus (ii) other operating income less (iii) other operating expense.

4 Earnings before income taxes represent earnings from operations plus (i) interest income less (ii) interest expense.

5 Weighted average number of shares and shares outstanding are comprised of Limited Voting Shares and Variable Multiple Voting Shares.

6 Total revenues of all managed hotels and resorts consist of rooms, food and beverage, telephone and other revenues of all the hotels and resorts which the Corporation manages.

7 Management operating margin is equal to management earnings before other operating items divided by management revenues.

8 EBITDA is equal to net earnings plus (i) income tax expense plus (ii) interest expense less (iii) interest income plus (iv) other operating expense less (v) other operating income plus (vi) depreciation and amortization. EBITDA is the same as earnings before other operating items. EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles, and such information should not be considered as an alternative to net income, cash flow from operations or any other measure of performance prescribed by generally accepted accounting principles. EBITDA is included herein because management believes that certain investors find it to be a useful tool for measuring the ability to service debt.

9 Four Seasons directly employs and is financially responsible for approximately 350 people at the various corporate offices, the worldwide sales offices and the central reservation offices. In addition, there are approximately 26,400 employees located at the 51 hotels and resorts and two Residence Clubs managed by Four Seasons. All costs relating to property based employees, including wages, salaries and health and insurance benefits, are the responsibility of the property owners and are generally paid out of the operating cash flow of the property.

Summary Hotel Operating Data

The following table sets forth certain summary operating data for hotels and resorts under Four Seasons management in the years shown.

(unaudited)	**2000**	1999	1998	1997	1996
All Managed Hotels:					
Worldwide					
No. of properties	**48**[1]	47	42	39	37
No. of rooms	**14,081**[1]	13,779	12,782	12,205	11,628
North America/Caribbean					
No. of properties	**27**[1]	27	24	24	22
No. of rooms	**8,312**[1]	8,322	7,574	7,414	6,837
Asia/Pacific					
No. of properties	**13**	13	13	11	11
No. of rooms	**4,221**	4,202	4,344	4,197	4,197
Europe/Middle East					
No. of properties	**8**[1]	7	5	4	4
No. of rooms	**1,548**[1]	1,255	864	594	594
Stabilized Hotels:[2]					
Worldwide					
No. of properties	**42**	39	38	36	33
No. of rooms	**12,478**	11,355	12,155	11,424	10,725
Occupancy[3]	**72.6%**	69.8%	70.4%	73.7%	74.9%
ADR[4]	**$ 417**	$ 403	$ 375	$ 339	$ 316
RevPAR[5]	**$ 303**	$ 281	$ 264	$ 250	$ 237
Gross operating margin[6]	**36.3%**	35.5%	34.5%	33.7%	32.6%
North America/Caribbean					
No. of properties	**25**	23	24	22	21
No. of rooms	**7,906**	7,352	7,568	6,837	6,587
Occupancy[3]	**75.5%**	74.0%	73.9%	75.2%	75.3%
ADR[4]	**$ 472**	$ 444	$ 425	$ 369	$ 329
RevPAR[5]	**$ 356**	$ 329	$ 314	$ 278	$ 248
Gross operating margin[6]	**35.9%**	36.0%	34.9%	33.2%	31.3%
Asia/Pacific					
No. of properties	**12**	11	11	11	10
No. of rooms	**3,682**	3,132	4,197	4,197	3,813
Occupancy[3]	**66.2%**	59.9%	63.3%	70.8%	73.5%
ADR[4]	**$ 266**	$ 257	$ 232	$ 258	$ 267
RevPAR[5]	**$ 176**	$ 154	$ 147	$ 182	$ 196
Gross operating margin[6]	**36.7%**	33.1%	31.2%	33.3%	33.8%
Europe/Middle East					
No. of properties	**5**	5	3	2	2
No. of rooms	**890**	871	390	390	325
Occupancy[3]	**73.3%**	68.7%	78.5%	79.2%	81.4%
ADR[4]	**$ 465**	$ 475	$ 689	$ 598	$ 570
RevPAR[5]	**$ 341**	$ 327	$ 541	$ 473	$ 464
Gross operating margin[6]	**39.8%**	37.0%	42.4%	41.3%	41.7%

1 Since December 31, 2000, the Corporation has commenced management of the Four Seasons Hotel Caracas, which has 212 rooms; the Four Seasons Hotel Dublin, which has 259 rooms; and the Four Seasons Hotel Prague, which has 162 rooms.

2 The term "Stabilized Hotels" means hotels and resorts that were fully open under Four Seasons management throughout a particular year and during the last quarter of the prior year. Stabilized Hotels data is used when information for more than two years is provided.

3 Occupancy percentage is defined as the total number of rooms occupied divided by the total number of rooms available.

4 ADR is defined as average daily room rate per room occupied.

5 RevPAR is defined as average room revenue per available room. RevPAR is a commonly used indicator of market performance for hotels and resorts and represents the combination of the average daily room rate and the average occupancy rate achieved during the period. RevPAR does not include food and beverage or other ancillary revenues generated by a hotel or resort.

6 Gross operating margin represents gross operating profit as a percentage of gross operating revenue.

Management's Discussion and Analysis

Financial Objectives

The key financial objectives of the Corporation over the next few years can be summarized as follows:

- Achieve, on average, earnings per share growth of 20% per annum.
- Achieve an average return on capital deployed of at least 10% over the Corporation's long-term cost of capital.
- Achieve 90% of the Corporation's earnings from its management business, which includes management of hotels, resorts, Residence Clubs and other residential projects.
- Make 70% or more of the Corporation's annual operating cash flow available for investments in new projects that provide long-term opportunities for growth in management and royalty fees.
- Maintain an investment grade balance sheet and a low cost of capital to facilitate future financing of the Corporation's growth initiatives.
- Focus on ongoing improvements in operating profit margins at both the property and corporate level, to maximize returns on capital without additional investment.
- Maintain long-term tax efficiency.
- Consider divesting the Corporation's equity investments or loans when appropriate opportunities arise, to allow capital to be made available for investments related to new management or royalty opportunities. The long-term capital exposure to new investments will generally be limited to no more than 20% of the total equity required for a property, and the Corporation will typically be permitted to choose to have its ownership interest diluted if additional capital is required.
- Maintain a prudent risk profile on the investment of the Corporation's cash reserves.
- Make ongoing investments in technology to enhance the customer's access to information on the Corporation's properties and provide a variety of distribution channels for reservations capabilities.

Growth Objectives

The key growth objectives of the Corporation over the next few years can be summarized as follows:

- Achieve growth of the Four Seasons portfolio through the addition of new hotels and resorts under management, additional Residence Club opportunities, and selected luxury residential projects.
- Identify and pursue opportunities to utilize the Corporation's free cash flow to acquire the management of existing unbranded luxury hotels, or groups of luxury hotels.
- Maintain and enhance Four Seasons' RevPAR growth and the operating profits of the managed hotels.
- Identify and pursue opportunities that allow the Corporation to maintain its high profit margins in, and cash flow from, its management operations.
- Consider other opportunities for growth that represent consistent and productive extensions of the Four Seasons brand.

Risk Management Objectives

The key risk management objectives of the Corporation over the next few years can be summarized as follows:

- Ensure that the risks and benefits of new investments are consistent with the Corporation's key financial and operational objectives, through the careful consideration and review by the Corporation's Management Committee.
- Mitigate business cycle risks through both geographic diversity and the business mix of (i) hotel management agreements, (ii) Residence Club or branded luxury residences, management and royalty agreements, (iii) hotel and Residence Club investments, and (iv) effective utilization of the Corporation's cash reserves.

- Engage in appropriate currency hedging activities to minimize the risks associated with foreign currency exposures and interest rate risk.
- Identify and diversify the number of equity and debt sources available to the Corporation, to permit the Corporation to continue to pursue its growth program.
- Minimize the Corporation's investments in areas of high risk, and obtain premium returns on invested capital in certain regions to offset potential political or emerging market risks.
- Minimize the uncertainty of tenure of the Corporation's management agreements by negotiating long-term agreements and non-disturbance arrangements (which help to protect the Corporation's management rights in the event of a sale of a property or any potential debt foreclosures).
- Conduct ongoing risk assessment of the Corporation's insurance programs to ensure that coverages are appropriate.

Overview of 2000

The Corporation achieved a number of important strategic and financial objectives over the past 12 months, including the following:

- **Net earnings growth:** Net earnings increased 19.2% to $103.1 million ($2.98 basic earnings per share), as compared to net earnings of $86.5 million in 1999 ($2.52 basic earnings per share). This increase reflected continued improvements in the management business, and was achieved despite a significant increase in tax costs and the negative effects of the Vancouver city-wide hotel strike which impacted the Four Seasons Hotel Vancouver during 2000.
- **Internal growth:** RevPAR for Core Hotels in the United States increased 9.7% in 2000, as compared to 1999. As well, due to the rebounding Asian economies, RevPAR for Core Hotels in Asia/Pacific increased by 14.7% in 2000, as compared to 1999.
- **Operating earnings growth:** Earnings before other operating items increased 43.0% to $139.4 million, as compared to $97.5 million in 1999. The increase is attributable to a 41.1% increase in earnings from management operations and a 63.1% increase in earnings from ownership operations.
- **Profit margin performance:** The profit margin on management operations remained above 60% for the fourth year in a row and reached a record level of 67.9% in 2000.
- **Business mix:** The Corporation's objective of achieving 90% of its earnings from management operations was met for the third consecutive year.
- **Unit growth:** The Corporation opened the Four Seasons Hotel Cairo at The First Residence and the Four Seasons Resort Club Scottsdale at Troon North, Arizona during 2000. In addition, the Corporation opened three new properties in the first two months of 2001: the Four Seasons Hotel Caracas, the Four Seasons Hotel Prague and the Four Seasons Hotel Dublin.
- **Capital spending:** In 2000, approximately 84% or $97.2 million (1999 – 83% or $88.8 million) of total capital spending was for new growth opportunities.
- **Geographic diversity:** With the recent hotel openings in 2000 and early 2001, the Corporation now operates in four new countries, thereby expanding its geographic diversity.
- **Liquidity position:** As at December 31, 2000, the Corporation had cash reserves of $218.1 million, as compared to total long-term obligations of $204.9 million. The Corporation has achieved significant liquidity to fund its growth program and to allow the Corporation to react promptly to any additional growth opportunities which may arise.

Operational and Financial Review and Analysis

Four Seasons has two operating segments: management operations and ownership operations. It is Four Seasons' objective to maximize the percentage of its operating earnings that are earned from the management operations segment, and generally to make investments in the ownership of hotels, resorts and Residence Clubs only where required to secure additional management opportunities or to improve the management fee arrangements for existing hotels. Revenues from management operations and ownership operations as a percentage of total combined consolidated revenues are set forth in the following table. The table also includes earnings before other operating items, interest and taxes ("EBITDA") from management operations and ownership operations, as a percentage of total EBITDA. Largely as a result of the disposition of the Corporation's interest in The Ritz-Carlton Hotel Chicago at the beginning of 1998, and the consistent growth of the Corporation's earnings from management operations, the percentage of EBITDA from ownership operations decreased significantly in 1998, in line with the Corporation's overall objective of focusing on management operations.

	2000	1999	1998	1997	1996
As a percentage of consolidated revenues:					
Revenues from management operations	**53.3%**	51.9%	51.2%	44.1%	78.3%
Revenues from ownership operations	**46.4**	47.7	50.5	56.3	14.6
Distributions from hotel investments	**2.6**	3.0	1.1	2.6	7.8
Fees from ownership operations to management operations	**(2.3)**	(2.6)	(2.8)	(3.0)	(0.7)
	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA(1):					
Management operations	**90.2%**	91.4%	90.7%	80.5%	86.2%
Ownership operations	**9.8**	8.6	9.3	19.5	13.8
	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Earnings before other operating items, interest and taxes.

Management Operations

Four Seasons is principally a management company, with 2000 management earnings representing 90.2% of total earnings before other operating items, interest and taxes. Under its management agreements, Four Seasons generally supervises all aspects of hotel operations on behalf of the hotel owners, including hotel sales and marketing, hotel reservations, hotel accounting, purchasing, budgeting and the hiring, training and supervising of staff. For providing these services, Four Seasons receives a variety of fees, including a base fee calculated as a percentage of gross operating revenues of each hotel. In addition, Four Seasons typically receives an incentive fee based on the operating performance of each hotel.

Through economies of scale, coordinated international marketing efforts, detailed labour management controls and food and beverage purchasing systems, Four Seasons generally has enhanced the overall profitability of hotels under its management. As a result of various management tools and cost control techniques, the gross operating profit margin of the Core Hotels has improved from 32.8% in 1996 to 37.1% in 2000 (calculated as a percentage of hotel gross operating revenues). These hotel profitability improvements have, in turn, increased the incentive fees earned by the Corporation.

In addition to overseeing day-to-day operations of its hotels, Four Seasons provides management services, including developing and implementing sales and marketing strategies, operating a central reservations system, assisting with sourcing the financing of and managing the development of new hotels, providing advice with respect to the design and construction of new or renovated hotels, assisting with the refurbishment of hotels, and providing a centralized purchasing system for hotel goods.

General and administrative expenses for management operations are incurred by the Corporation to provide the management services outlined in the previous paragraph, together with and including those items normally associated with corporate overhead, such as operations, finance, information technology, accounting, control, planning, legal, development and other costs of maintaining the corporate office.

The Corporation's general and administrative expenses are relatively stable. As a result, the Corporation derives substantial operating profit leverage from increases in management fees generated from existing agreements and the addition of new management contracts. From 1996 to 2000, management revenues and management earnings before other operating items have grown at compounded annual growth rates of 18.3% and 22.6%, respectively. During the same period, management earnings before other operating items as a percentage of management revenues (management profit margin) increased from 58.8% to 67.9%. Management revenues and earnings are expected to increase in 2001 as a result of (i) anticipated RevPAR and profitability improvements at Core Hotels, (ii) a full year of management fees from recently opened properties, (iii) the addition of management fees from properties added to the portfolio in 2001, (iv) increased fees from Residence Club projects, and (v) royalty and licence fees from branding of residential projects.

Ownership Operations

Ownership earnings include the consolidated results of The Pierre in New York (100%), the Four Seasons Hotel Vancouver (100%), and, from November 30, 1999, the Four Seasons Hotel Berlin (100% – see further discussion below). In addition, the Corporation recognizes as revenue dividend distributions in respect of its 25% interest in The Regent Hong Kong and the profit distribution from its other minority interests.

Leasehold Interests

There is no third party debt associated with the Corporation's leasehold interest relating to either The Pierre in New York, the Four Seasons Hotel Vancouver or the Four Seasons Hotel Berlin.

Four Seasons Hotel Berlin

In late 1999, the Corporation and the owner settled a dispute arising from certain construction deficiencies alleged by the Corporation relating to the hotel. The settlement provides for, among other things: (i) an effective lease commencement date of January 1, 1999, (ii) a limitation on the Corporation's guarantee for the payment of minimum rent, to a maximum cumulative amount of DM21 million, and (iii) repair of the construction deficiencies relating to the hotel at the landlord's expense to a maximum amount of DM2.9 million.

The hotel's 2000 operating loss was $1.8 million (1999 – loss of $1 million), and is expected to be a loss of approximately $2.0 million in 2001, due to regularly scheduled increases in the base rent expense. However, the long-term outlook for the hotel is expected to be favourable once construction is completed in the vicinity of the hotel and the Berlin hotel market stabilizes to higher occupancy levels (due to the relocation of the federal government to Berlin and the ongoing relocation of various corporate offices to the area over the next few years).

Other Ownership Interests

As at December 31, 2000, Four Seasons had equity investments in five hotels and resorts under management: (Punta Mita, Mexico (30.8%), Sydney (15.2%), Aviara (7.3%), Scottsdale (3.9%) and Seattle (3.4%)), and had investments in six of the hotels and resorts under construction or development: (Prague (67%), Shanghai (21.2%), Budapest (19.6%), Amman, Jordan (12.3%), Nile Plaza, Cairo (9%) and Istanbul at the Bosphorus (18%)). The Corporation's ownership interest in Punta Mita, Mexico (30.8%) was sold in the first quarter of 2001 and the Corporation anticipates disposing of its equity interest in Prague (67%) by the end of the second quarter of 2001.

In accordance with Canadian generally accepted accounting principles, Four Seasons accounts for all of these investments on a cost basis because either the percentage ownership and structure does not give the Corporation significant influence over these investments, or the investments were made with the intention that they be disposed of in the foreseeable future. The book value of these hotel ownership interests was $139.3 million as at December 31, 2000 ($90.9 million as at December 31, 1999). Based upon the current and budgeted operating cash flow of each of these properties (adjusted for expected capital spending requirements), the Corporation currently estimates that the net recoverable value from each of these investments at least approximates the book values of each of these investments (see note 4 to the consolidated financial statements).

None of these investments is material to the Corporation and each of these investments individually represents 5% or less of the total assets of the Corporation. The Corporation has no recourse debt obligations relating to these interests, other than those disclosed in note 12(c) to the consolidated financial statements. For the year ended December 31, 2000, the Corporation earned $17.9 million ($13.5 million in 1999) of fee revenues and received distributions of $1.5 million ($4.1 million in 1999) from these hotel investments.

Four Seasons Residence Clubs

The book value of the Corporation's ownership interests in Four Seasons Residence Clubs was $17.9 million as at December 31, 2000 ($8.1 million at December 31, 1999). This amount includes the Corporation's ownership interest in the projects located at: Aviara in Carlsbad, California (7.3%); Scottsdale, Arizona (65.8%); and Punta Mita, Mexico (30.8%). Sales of interests in the Four Seasons Resort Club Aviara and the Four Seasons Resort Club Scottsdale at Troon North began in 1997 and 2000, respectively. Sales of interests in the Four Seasons Residence Club Punta Mita are expected to begin in 2001. The Corporation earned fee revenues of $7.5 million in 2000 ($5.8 million in 1999) and received distributions of $0.2 million in 2000 from these projects. It is anticipated that the Corporation will reduce its equity interest in both the Four Seasons Residence Clubs at Scottsdale, Arizona and Punta Mita, Mexico through a sale to a third party.

Results of Operations

Year ended December 31, 2000 compared to year ended December 31, 1999.

Management Operations

Revenues

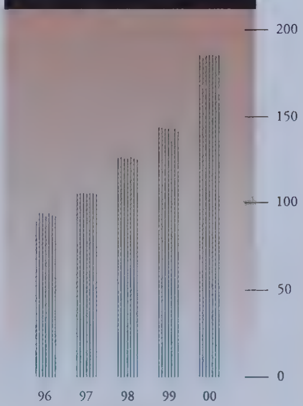
Fee revenues increased $41.3 million or 28.7% to $185.3 million in 2000, as compared to $144 million in 1999. The increase is attributable to an increase in fees from recently opened hotels and resorts and new management agreements of $9.5 million, an increase in fees from hotels and resorts under development of $8.9 million, an increase in fees from Four Seasons Residence Club projects of $1.8 million, and an increase in fees from existing hotels and resorts of $21.1 million. Incentive fees contributed 26.9% of the total fee revenues in 2000, as compared to 24.4% in 1999.

Total revenues of all managed hotels and resorts increased to $2.8 billion in 2000, as compared to $2.4 billion in 1999. Growth in revenues was driven by strong performances in the United States, Asia/Pacific and European markets and a moderate increase in revenues in the Canadian/Mexican markets. The increase in European revenues, however, was adversely affected by the weakening Euro currency. On a Euro basis, revenues of hotels and resorts in the European markets increased 20.1% in 2000, as compared to an increase of 3.8% on a US dollar basis. The Canadian/Mexican segment was negatively affected by the Vancouver city-wide hotel strike during the third quarter of 2000.

On a US dollar basis, the Corporation's Core Hotels under management in the United States, Asia/Pacific and Europe experienced an average increase in RevPAR of 9.7%, 14.7% and 4.4%, respectively, and an average increase in gross operating profit of 12.7%, 27.8% and 11.9%, respectively, in 2000, as compared to 1999. The Vancouver city-wide hotel strike during 2000 resulted in an average increase of only 1.3% in RevPAR on a US dollar basis and an average decline of 1.1% in gross operating profit on a US dollar basis in Core Hotels under management in the Canadian/Mexican segment. Overall, the Corporation's Core Hotels had an average increase of 9.5% in RevPAR in 2000, as compared to 1999 on a US dollar basis, resulting from an increase in occupancy of 2.7% and an increase in room rates of 5.4%. Gross operating profit of the Core Hotels increased overall on average by 14.5% in 2000, as compared to 1999 on a US dollar basis, due to increased RevPAR and enhanced operating efficiencies. In 2001, the Corporation expects RevPAR to increase in its United States, Asia/Pacific, European and Canadian/Mexican Core Hotels.

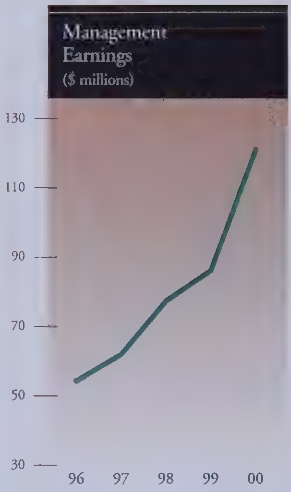
The Corporation expects fee revenues to increase in 2001 over 2000, primarily as a result of (i) anticipated RevPAR and profitability improvements at Core Hotels, (ii) a full year of management fees from the properties opened in 2000, (iii) the addition of management fees from properties added to the portfolio in 2001, (iv) increased fees from Residence Club projects, and (v) royalty and license fees from branding of residential projects.

Management Fee Revenues
($ millions)



General and Administrative Expenses

In 2000, general and administrative expenses increased by $4.7 million or 8.5%, as compared to 1999. Other than the costs related to an increase in fees in the reservation, sales and marketing areas, which are on a cost recovery basis, the increase was due primarily to investments in technology and increased staff levels to facilitate the Corporation's unit growth expansion over the next few years. In 2001, general and administrative expenses are expected to increase by no more than 15%, due to, among other things, increased marketing and reservation costs in line with the related expected increase in fees over 2000.



Management Earnings

As a result of the changes in management revenues and expenses discussed above, the Corporation's management earnings increased by $36.6 million or 41.1% over the prior year to $125.8 million in 2000. Management earnings represented greater than 90% of the Corporation's earnings before other operating items in 2000 and 1999. The Corporation expects that in 2001, 90% or more of its operating earnings will continue to be derived from its management operations.

With the combination of management revenue growth anticipated in 2001, and the expected increase in its cost base, the Corporation currently anticipates that the management operations profit margin in 2001 should be consistent with the performance in recent years.

Ownership Operations

Ownership earnings in 2000 increased 63.1% to $13.6 million, as compared to $8.4 million in 1999. The increase in ownership earnings reflects operating earnings improvements at The Pierre in New York and an increased dividend from The Regent Hong Kong of $7.4 million in 2000, as compared to $4.6 million in 1999 (see discussion under "Dependence on Management Agreements" on page 43). These improvements were partially offset by lower operating earnings from the Four Seasons Hotel Vancouver caused by the city-wide hotel strike during the third quarter of 2000 and lower distributions from the Corporation's other minority interests.

During 1999, the Corporation resolved its dispute with the landlord of the Four Seasons Hotel Berlin. Prior to the resolution of the dispute, the Corporation had been accruing the start-up losses of the hotel since 1998. As of the date of the settlement (November 30, 1999), the Corporation assumed the 100% leasehold interest in the Four Seasons Hotel Berlin and began consolidating the results of the hotel.

Ownership earnings are expected to decline in 2001, as compared to 2000, by approximately $2 million, primarily as a result of lower expected operating earnings at The Pierre in New York in 2001 and higher expected operating losses at the Four Seasons Hotel Berlin[13] due to higher scheduled lease payments in 2001. In addition, dividends from The Regent Hong Kong may be negatively affected by the outcome of the arbitration relating to the rent payable during the renewal term.[14] This decline is expected to be partially offset by higher operating earnings expected at the Four Seasons Hotel Vancouver in 2001, as compared to 2000.

Other Items

Depreciation and Amortization

Depreciation and amortization expense in 2000 was $14 million, as compared to $12.5 million in 1999. The increase of 12.3% is attributable primarily to higher amortization charges related to the Corporation's investment in management contracts. Depreciation and amortization is expected to increase in 2001 by approximately $2 million, as compared to 2000, due primarily to increased depreciation arising from recent capital additions at the Corporation's consolidated hotels.

Other Operating Income, Net

Other operating income increased $5.1 million to $8.7million in 2000, as compared to $3.6 million in 1999. In 2000, other operating income was comprised of a recovery of loss of $8.9 million (1999 – $6 million) (resulting from the collection of loans which were fully provided for in prior years), partially offset by a foreign exchange loss of $0.2 million (1999 – $2.4 million). The foreign exchange loss in 2000 related primarily to a foreign currency translation loss on long-term receivables denominated in Australian dollars, partially offset by a foreign exchange gain from the revaluation of US dollar net monetary assets. The foreign exchange loss in 1999 related primarily to a foreign exchange loss from the revaluation of US dollar net monetary assets.

13 See discussion under "Four Seasons Hotel Berlin" on page 33.

14 See note 11 to the table on pages 20 and 21.

Interest Income, Net

The Corporation had net interest income in 2000 of $4.2 million, as compared to $0.4 million in 1999. The increase of $3.8 million in net interest income is attributable to increased interest income, primarily from increased cash reserves (resulting from the issue of convertible notes in late 1999), partially offset by higher interest expense due to higher debt levels in 2000 arising from the issuance of those same convertible notes (see discussion under "Debt and Equity Financing" on page 40), and from lower interest income from loans related to the Four Seasons Resort Scottsdale at Troon North, which was repaid in December 1999.

Net interest income in 2001 is expected to increase over the amount earned in 2000 due primarily to higher interest income generated from increasing cash reserves and loans to new developments.

Income Tax Expense

The Corporation's effective tax rate in 2000 was approximately 25.4%, as compared with an effective tax rate of 2.8% in 1999. The higher effective tax rate in 2000 was due primarily to the utilization in 1999 of the benefits of unrecorded tax losses created by the write-down in hotel investment values in 1993 and 1995, and the implementation of the new Canadian income tax accounting standard (see note 1(j)(ii) to the consolidated financial statements).

Included in the income tax expense for 2000 was an additional expense of $3.5 million related to the scheduled reductions in the Canadian income tax rates to be implemented over the next four years. This expense was a result of the decrease in the income tax rates relating to the ongoing benefit of the Corporation's future income tax assets. The reduced tax rates should allow the Corporation to achieve lower overall income tax rates on its income in future years.

The Corporation's effective tax rate is expected to be approximately 25% in 2001.

Net Earnings and Earnings per Share

Net earnings and basic earnings per share in 2000 were $103.1 million and $2.98 per share, respectively, as compared with net earnings of $86.5 million and basic earnings per share of $2.52 in 1999. The 19.2% increase in net earnings and 18.3% increase in basic earnings per share resulted primarily from strong growth in management and ownership operations, higher net interest income and higher recovery of loss, partially offset by a significant increase in income tax expense in 2000.

If all outstanding stock options and convertible notes were converted to acquire Limited Voting Shares of FSHI, fully diluted earnings per share in 2000 would have been $2.77, as compared to $2.49 in 1999. The increase in dilution from 1999 to 2000 was primarily due to the effect of the convertible notes, issued in 1999, being outstanding for the full year 2000, as compared to only three months in 1999 (see note 10(b) to the consolidated financial statements). Upon the exercise of any conversion right under the convertible note indenture, the Corporation has the option to purchase the convertible note indentures for cash rather than to issue shares (see note 9(b) to the consolidated financial statements). Should the Corporation choose to settle any conversions in cash, then there would not be any earnings per share dilution.

Results of Operations

Year ended December 31, 1999 compared to year ended December 31, 1998.

Management Operations

Revenues

Fee revenues increased $17.1 million or 13.4% to $144 million in 1999, as compared to $126.9 million in 1998. The increase is attributable to increased fees from Four Seasons Residence Club projects of $3.2 million, an increase in fees from hotels and resorts under development of $2.1 million, an increase in fees from recently opened hotels and resorts and new management agreements of $1.9 million, and an increase in fees from existing hotels and resorts of $9.9 million. Incentive fees contributed 24.4% of the total fee revenues in 1999, as compared to 25.3% in 1998.

Total revenues of all managed hotels and resorts increased to $2.4 billion in 1999, as compared to $2.3 billion in 1998. Growth in revenues was driven by strong performances in the United States, Asian and Canadian/Mexican markets, offset by a weaker performance in the European markets. The decline in European performance was primarily attributable to reduced occupancy at the Four Seasons Hotel Istanbul resulting from disrupted travel in the region due to a series of severe earthquakes. In addition, during 1998, Lisbon hosted Expo. As a result, that market experienced lower occupancy levels in 1999, as compared to 1998.

On a US dollar basis, the Corporation's Core Hotels under management in the United States, Asia and Canada/Mexico experienced an average increase in RevPAR of 6%, 4.7% and 4.7%, respectively, and an average increase in gross operating profit of 12.4%, 18.8% and 5.1%, respectively, in 1999, as compared to 1998. The aforementioned decline in occupancies in two of the Corporation's European hotels during 1999 resulted in an average decline of 3.1% in RevPAR and 4.4% in gross operating profit in Core Hotels under management in that region. Overall, the Corporation's Core Hotels showed an average increase of 5.3% in RevPAR in 1999, as compared to 1998, resulting from an increase in occupancy of 0.5% and an increase in room rates of 4.5%. Gross operating profit of the Core Hotels increased overall on average by 11.4% in 1999, as compared to 1998, due to increased RevPAR and enhanced operating efficiencies.

General and Administrative Expenses

In 1999, general and administrative expenses increased by $7.8 million or 16.6%, as compared to 1998. Other than the costs related to an increase in fees in the reservation, sales and marketing areas, which are on a cost recovery basis, the increase was due primarily to investments in technology and increased staff levels, to facilitate the Corporation's unit growth expansion over the next few years.

Management Earnings

As a result of the changes in management revenues and expenses discussed above, the Corporation's management earnings increased by $9.2 million or 11.6% to $89.1 million in 1999. Management earnings represented 91% of the Corporation's earnings before other operating items in 1999 and 1998.

Ownership Operations

Ownership earnings in 1999 increased 2.4% to $8.4 million, as compared to $8.2 million in 1998. The increase in ownership earnings reflects (i) an increased dividend from The Regent Hong Kong, (ii) increased distributions from the Corporation's other minority interests, and (iii) operating earnings improvements at The Pierre in New York. This increase was partially offset by lower operating earnings from the Four Seasons Hotel Vancouver caused by weak economic conditions in that market.

The increase in dividends from the Corporation's 25% interest in The Regent Hong Kong resulted from operating improvements at the hotel. The hotel realized a 6% increase in RevPAR and a 36% increase in gross operating profit in 1999, as compared to 1998, due to higher demand levels and the full implementation of a wide range of cost efficiency measures at the hotel. As a result, the distributable earnings from the hotel increased from $2.0 million in 1998 to $4.6 million in 1999.

During 1999, the Corporation resolved its dispute with the landlord of the Four Seasons Hotel Berlin regarding certain construction deficiencies. The deficiencies will be rectified and the Corporation has assumed the 100% leasehold interest in the Four Seasons Hotel Berlin. Prior to the resolution of the dispute, the Corporation had been accruing the start-up losses of the hotel since 1998. As of the date of the settlement (November 30, 1999), the Corporation began consolidating the results of the hotel.

Other Items

Depreciation and Amortization

Depreciation and amortization expense in 1999 was $12.5 million, as compared to $15.2 million in 1998. The decrease of 17.6% is attributable primarily to lower amortization charges related to the Corporation's Asian assets (which were written down during 1998), partially offset by an increase in amortization expense related to certain fixed assets.

Other Operating Income, Net

Other operating income increased $1.5 million to $3.6 million in 1999, as compared to $2.1 million in 1998. In 1999, other operating income was comprised of a recovery of loss of $6 million (resulting from the collection of loans which were fully provided for in prior years), partially offset by a foreign exchange loss of $2.4 million (resulting primarily from the translation of US dollar net monetary assets). In 1998, other operating income included a foreign exchange gain of $14.3 million (primarily comprised of a foreign exchange gain of $7.8 million resulting from the repatriation of funds by the Corporation from its principal Asian subsidiary, and a foreign exchange gain of $6.2 million resulting from the translation of foreign denominated long-term receivables) and a recovery of $0.9 million (resulting from the collection of a loan which was fully provided for in prior years). Partially offsetting this income was a writedown of the Corporation's Asian assets in 1998 of $12.7 million and a loss on repurchase of debt of $0.4 million.

Interest Income (Expense), Net

The Corporation had net interest income in 1999 of $0.4 million, as compared to net interest expense of $3.8 million in 1998. The decrease of $4.2 million in net interest costs is attributable to increased interest income, primarily from increased cash reserves (resulting from the issue of convertible notes in late 1999), and from loans related to the Four Seasons Resort and Resort Club in Scottsdale and The Regent Hotel in Sydney, partially offset by higher interest expense due to higher debt levels in 1999.

Income Tax Expense

The Corporation's effective tax rate in 1999 was approximately 2.8%, as compared with a 2.0% effective tax rate in 1998. The low effective tax rate was due primarily to the utilization of the benefits of unrecorded tax losses created by the write-down in hotel investment values in 1993 and 1995.

Net Earnings and Earnings per Share

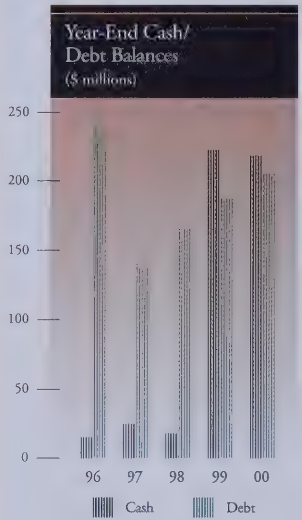
Net earnings and basic earnings per share in 1999 were $86.5 million and $2.52 per share, respectively, as compared with net earnings of $69.7 million and basic earnings per share of $2.06 in 1998. The 24.1% increase in net earnings and 22.3% increase in basic earnings per share resulted from strong growth in management operations, lower depreciation and amortization expense and net interest income in 1999, as compared to net interest expense in 1998.

Liquidity and Capital Resources

The Corporation generally utilizes cash from operations, debt facilities and equity financing to (i) make capital investments to obtain long-term management agreements and to enhance existing management agreements, (ii) fund its share of hotel and resort capital improvements and operating requirements where it holds an equity interest and where the operating cash flow from these hotels and resorts is insufficient to fund these requirements, and (iii) make principal and interest payments on corporate debt.

In 2001, based upon the current business plan, the Corporation expects total capital spending of approximately $130 million (2000 – $116 million), including dividends and those items noted on pages 41 and 42. This capital spending in 2001 will be funded from a combination of cash proceeds received or expected to be received from the sale of its equity interests in the

Four Seasons Resort Punta Mita and the Four Seasons Hotel Prague, cash reserves and cash generated by operations. However, depending on additional opportunities that may arise, additional capital commitments may be required to obtain long-term management agreements and to enhance existing management agreements.



Debt and Equity Financing

During 1999, FSHI issued US$655.5 million principal amount at maturity (September 23, 2029) of convertible notes for gross proceeds of US$172.5 million. The net proceeds of the issuance, after deducting offering expenses and underwriter's commission, were approximately US$166 million. At any time on or before the maturity date, unless the notes have previously been redeemed or purchased, holders may require FSHI to convert the notes (each one thousand US dollar principal) into 5.284 Limited Voting Shares of FSHI. FSHI has the right to acquire the notes that a holder has required to be converted for cash equal to the fair value of the Limited Voting Shares. The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued interest.

Holders also have the right to require FSHI to purchase all or a portion of their notes on September 23, 2004, September 23, 2009 and September 23, 2014 in consideration for Limited Voting Shares of FSHI having a fair value equal to the issue price plus accrued interest to the date of purchase. FSHI has the right to acquire for cash all or a portion of the notes that a holder has required to be so purchased. In addition, upon a change in control of FSHI occurring on or before September 23, 2004, FSHI will be required to offer to purchase all the notes for cash at the issue price plus accrued interest to the date of purchase. FSHI may redeem all or a portion of the notes at any time on or after September 23, 2004 for cash at the issue price plus accrued interest to the date of purchase.

The net proceeds of the issue were used to repay all amounts owed under the Corporation's bank credit facility, with the remainder being invested in bank deposits, guaranteed investment certificates and money market funds held with major financial institutions.

As at December 31, 2000, approximately 88% (91% at December 31, 1999 and 62% at December 31, 1998) of Four Seasons' long-term debt was at fixed interest rates.

The Corporation has a US$200 million committed bank credit facility, of which US$100 million matures in April 2002 and US$100 million matures in July 2002. As at December 31, 2000, no amounts were borrowed by the Corporation under this credit facility. The Corporation believes that bank credit facilities, when combined with cash on hand and internally generated cash flow, are adequate to allow it to finance all of its normal operating needs and commitments to new investments to achieve its growth objectives.

Operating Cash Flow

For the year ended December 31, 2000, cash flow from operations was $102.6 million, as compared to $106.8 million in 1999. The decrease in operating cash flow was primarily due to an increase in non-cash working capital of $38 million in 2000, as compared to 1999 (resulting primarily from additional incentive and royalty fee receivables at December 31, 2000, the majority of which have currently been collected and will contribute to the Corporation's cash position in 2001), and an increase in income tax installments of $14 million in 2000, as compared to 1999. The operating cash flow decrease was partially offset by higher working capital generated by management and ownership operations of $35.7 million and $4.8 million, respectively, in 2000, as compared to 1999 (reflecting the improvement in management and ownership operations discussed above), and higher net interest income received of $5.9 million in 2000, as compared to 1999.

For the year ended December 31, 1999, cash flow from operations was $106.8 million, as compared to $75.8 million in 1998. Working capital generated from management operations was $9.9 million higher in 1999 than in 1998, reflecting the

improvement in management earnings discussed above. Interest income received increased $6 million in 1999, as compared to 1998, primarily from increased cash revenues (resulting from the issue of convertible notes in late 1999), and from the loan related to the Four Seasons Resort Scottsdale at Troon North. The working capital increase was also due to a decrease in non-cash working capital of $13.6 million in 1999, as compared to 1998.

Cash flow from operations in 2001 is expected to exceed cash flow from operations in 2000. The Corporation expects that a combination of the cash flow from operations in 2001, cash proceeds realized from asset sales and/or cash reserves will be re-invested to generate new revenue streams from new management contracts or improvements in certain existing contracts, as outlined above.

Fixed Asset Additions and Improvements

Owners of properties managed by Four Seasons are contractually responsible for funding the capital requirements of the properties, including guest room and common area renovations, and for maintaining capital reserves to fund ongoing annual maintenance capital expenditures required by the management agreements. The owners annually spend an average of 4% of hotel gross revenues on capital expenditures to maintain properties at the Four Seasons standard (other than in newly constructed or recently renovated properties where the annual amounts generally range from 1% to 2% in the years of operation following opening and major refurbishment). Capital expenditures are funded primarily by working capital generated from property operations and through advances from the owners. Four Seasons' share of these capital expenditures was $11.1 million, $13 million and $13.9 million in 2000, 1999, and 1998, respectively, for its consolidated hotels and corporate offices. The decrease in 2000, as compared to 1999 and 1998, related primarily to an increase in capital expenditures at the Four Seasons Hotel Vancouver in 1999 and the expansion of the corporate office in Toronto during 1998 and 1999. Four Seasons' share of capital expenditures was immaterial for those opened properties in which Four Seasons has a minority equity interest or pursuant to management contract obligations.

Investments in and Advances to Managed and Owned Properties

As discussed above, in order to secure a new management agreement or to improve an existing management agreement, the Corporation may at times make a loan or an investment. The loan or investment will only be made in order to expand its management business and where the overall economic return to Four Seasons justifies the investment. The Corporation generally seeks to limit its total long-term capital exposure to no more than 20% of the total equity required for a property, and typically can choose to have its ownership interest diluted. Depending on the nature of the loan or investment, it will be characterized on the Corporation's balance sheet as "Investments in hotel partnerships and corporations," "Investment in management contracts," "Long-term receivables."

Investments in Hotel Partnerships and Corporations and Management Contracts

During 2000, the Corporation invested (i) $25.8 million in the Four Seasons Hotel under construction in Shanghai, in which it has a 21.2% interest, (ii) $7.4 million ($6.3 million in 1999 and $1.9 million in 1998) in the Four Seasons Resort Punta Mita, Mexico, in which it had a 30.8% interest, (iii) $0.3 million ($1.3 million in 1999 and $0.1 million in 1998) in the Four Seasons Residence Club in Punta Mita, in which it has a 30.8% interest, (iv) $0.1 million ($0.8 million in 1999 and $0.6 million in 1998) in the Four Seasons Golf Club at Punta Mita, in which it has a 12.3% interest, (v) $5.1 million ($7.8 million in 1999 and $0.7 million in 1998) in the Four Seasons Resort Scottsdale at Troon North, in which its indirect equity interest was reduced to 3.9% as at December 31, 1999, and (vi) $2.8 million ($13.3 million in 1999 and $8.8 million in 1998) in the Four Seasons Hotel Prague, in which it has a 67% interest.

The Corporation's ownership interest in the Four Seasons Resort Punta Mita was sold in the first quarter of 2001 for minimum cash proceeds of US$12.5 million, and the Corporation anticipates disposing of its 67% ownership interest in the Four Seasons Hotel Prague by the end of the second quarter of 2001. During 2000, the Corporation was repaid US$5 million of a US$7.5 million advance previously made to the owner of the Four Seasons Hotel Atlanta.

During 1999, the Corporation sold its direct ownership interest in the Four Seasons Resort Scottsdale at Troon North and a 50% interest in two parcels of land adjacent to the resort for cash proceeds of $4.6 million (see note 4(b) to the consolidated financial statements).

For hotels in which the Corporation has less than a 20% interest, it invested $8 million in 2000 ($10.3 million in 1999 and $0.5 million in 1998) to fund capital requirements, primarily in hotels under construction or development. The $8 million advanced in 2000 included an advance of $5.2 million related to the Four Seasons Hotel under construction in Amman and $1.9 million related to the Four Seasons Hotel under development in Istanbul at the Bosphorus. The $10.3 million advanced in 1999 related to the Four Seasons Hotel under development in Budapest, in which the Corporation holds a 19.6% equity interest.

Long-term Receivables

In 2000, the Corporation advanced $69 million in connection with projects under management: $21 million related to the reconstruction and renovation of the Four Seasons Resort Nevis; $16.5 million related to an acquisition of suites at The Pierre in New York; $11.6 million related to the Four Seasons Resort Club Scottsdale at Troon North; $7.5 million related to the Four Seasons Hotel Caracas which opened in January 2001; $3.7 million (AUS$4.4 million) related to an operating loan in connection with The Regent Hotel Sydney; and $3.7 million related to the Four Seasons Hotel Cairo at The First Residence.

The Corporation advanced a total of $81.0 million in 1999 in connection with projects under management: $46.2 million related to the Four Seasons Resort and Resort Club Scottsdale at Troon North, of which $29.5 million was sold in 1999 (see note 4(b) to the consolidated financial statements); $15.6 million (AUS$16.5 million) related to a major renovation project at The Regent Hotel Sydney; $7.1 million (£3 million) related to the Corporation's proposed equity interest in the Four Seasons Hotel Canary Wharf; and $4.4 million (€3 million) related to the Four Seasons Hotel under development in Budapest.

In 1998, the Corporation advanced $68.5 million in connection with projects under management: $38.3 million (£16.3 million) related to the Four Seasons Hotel London; $11.9 million (AUS$12.8 million) related to the Corporation's proposed equity interest in The Regent Hotel Sydney; and $14.9 million related to the Four Seasons Resort and Resort Club Scottsdale at Troon North.

Change in Accounting Policies

Effective January 1, 2000, the Canadian Institute of Chartered Accountants ("CICA") changed the accounting standards relating to the accounting for income taxes and the accounting for pension benefits (see note 1(j) to the consolidated financial statements).

Operating Risks

The business of the Corporation, more thoroughly described above, is subject to many risks and uncertainties, including those discussed below.

Lodging Industry Conditions

Four Seasons focuses exclusively on the luxury segment of the hotel industry, which is subject to operating risks inherent in the lodging industry. These risks include, among other things, changes in general and local economic conditions, periodic overbuilding in the industry or a specific market, varying levels of demand for rooms and related services (including food and beverage and function space), competition from other hotels, changes in travel patterns, the recurring need for renovation, refurbishment and improvement of hotel and resort properties, changes in wages, prices, construction and maintenance costs that may result from inflation, government regulations and changes in interest rates, the availability of financing for operating or capital requirements, natural disasters, extreme weather conditions, labour disputes, political instability and terrorism and their effects on travel. The industry also is subject to seasonal fluctuations, resulting in variances in the Corporation's quarterly fee revenues and operating results. Four Seasons operates luxury hotels and resorts in many areas of the world and its revenues are dependent upon the revenues of individual hotels and resorts derived from all sources. The above-listed conditions can from time to time have a major adverse impact upon individual hotels or resorts or particular regions. A period of economic recession or downturn in any of the world's primary outbound travel markets, such as the United States, Europe or Japan, could materially and adversely affect the Corporation's results of operations, including the fee revenue that would be earned and ownership earnings. An economic downturn would generally affect ownership earnings to a greater degree due to the high fixed costs associated with ownership.

Competition

The luxury segment of the hotel and resort industry is subject to intense competition, both for guests and for the acquisition of new management agreements. Competition for guests arises primarily from luxury hotel chains, individual luxury hotels and resorts and a limited number of luxury properties operated by larger hotel chains. That competition is based on brand name recognition, location, room rates and quality of service and accommodations. Demographic, geographic and other changes in specific market conditions could materially and adversely affect the convenience or desirability of the locales in which hotels and resorts that are managed by Four Seasons are located.

Four Seasons competes for management opportunities with other hotel operators. Four Seasons believes that its ability to obtain management agreements is based primarily on the value and quality of its management services, brand name recognition and the economic advantages to the hotel owner of retaining Four Seasons' management services and using its brand name. Four Seasons also believes that an owner's assessment of the economic advantages of retaining Four Seasons' management services and using its brand name is, in part, a function of the success of the hotels and resorts currently under management by Four Seasons. Competitive factors also include relationships with hotel owners and investors, marketing support, reservation system capacity and the ability to make investments that may be necessary to obtain management agreements. Four Seasons' failure to compete successfully for expansion opportunities or to attract and maintain relationships with investors who currently own hotels could materially and adversely affect its results of operations.

Dependence on Management Agreements

Management agreements expire or are acquired, terminated or renegotiated in the ordinary course. Failure to obtain new management agreements or maintain existing management agreements could materially and adversely affect the Corporation's results of operations. Four Seasons manages hotels and resorts for various owners subject to the terms of each property management agreement. Those agreements generally can be terminated by the non-defaulting party upon default in payment or unremedied failure to comply with the terms of the agreement. Most of the management agreements are subject to performance tests that, if not met, could allow the agreement to be terminated by the owner prior to the expiration of its term. The failure to maintain the standards specified in the agreement or to meet the other terms and conditions of an agreement

could result in the loss or cancellation of a management agreement. Typically, but not in all cases, Four Seasons has certain rights to cure a default to avoid termination. Some management agreements also can be terminated if the property is sold by the owner to a new owner who does not wish to retain the existing agreement. In certain cases these contracts provide for a termination pay-out upon cancellation of the agreement.

In the event of bankruptcy of a property and foreclosure, a management agreement may be terminated in most jurisdictions, unless, to the extent permitted by local bankruptcy laws, the lender has executed a non-disturbance agreement. Four Seasons generally has non-disturbance agreements with the lenders to owners of hotels and resorts that it manages. Where no non-disturbance agreement is in place, the risk of loss of a management agreement increases where debt that cannot be serviced adequately is incurred by the owner at the property level. In some jurisdictions, particularly the United States, management agreements have been construed by courts to create an agency relationship that is terminable by the owner, notwithstanding any provision of the agreement that purports to make the agreement not terminable. In such circumstances, the management company would generally have an unsecured claim for breach of contract against the owner of the hotel or its trustee in bankruptcy.

Management agreements for hotels and resorts managed by the Corporation currently have remaining terms (including extension periods at the Corporation's election) averaging approximately 57 years for Four Seasons hotels and resorts and approximately 22 years for Regent hotels and resorts.

Renewal of management agreements at the end of their term is the subject of negotiation between Four Seasons and the relevant owners. Currently, the only management agreement that is the subject of renewal discussions relates to The Regent Hong Kong. Initial terms of the operating lease and management agreement expired in December 2000. An option to extend the lease agreement for an additional 10 years was exercised. The Corporation owns a 25% interest in the corporation that owns the operating lease for the hotel. However, the owner of the 75% interest in the lessee corporation is a company controlled by the landlord. The landlord and the lessee have referred to arbitration determination of the rent to be paid during the renewal term. The management agreement has been extended to May 31, 2001 and the Corporation will continue to pursue other transactions through which it may secure its right to continue to manage the hotel. The lessee corporation, and not Four Seasons, controls the negotiation of a new management agreement, which the Corporation understands the lessee corporation has also been pursuing with other parties. The Corporation intends to take whatever actions are available to it to attempt to ensure the value of its interest in the leasehold is not negatively affected, and if possible, to secure long-term management rights. There can be no assurance as to the result of the assertion of these rights.

Management fees and distributions from The Regent Hong Kong, in aggregate, accounted for approximately \$12.5 million and \$8.9 million of the Corporation's consolidated revenues in 2000 and 1999, respectively. The book value of the investment in the leasehold interest (US\$4.2 million as at December 31, 2000) is considered to be realizable out of dividend distributions over the remaining lease term.

Dependence on Property Owners

As a result of the strategic decision of Four Seasons to focus on management of hotel and resort properties (as opposed to ownership), Four Seasons' growth opportunities are dependent in part on its ability to establish and maintain satisfactory relationships with existing and new investors. Those growth opportunities also are dependent on access to capital by these investors. In 2000 and 1999, no owner had interests in any combination of hotels, resorts and Residence Club properties managed by Four Seasons that represent in excess of 10% of total consolidated revenues of the Corporation. A failure by Four Seasons to maintain satisfactory relationships with any owner of a significant number of properties could have a material adverse effect on the Corporation's results of operations.

Risk Associated with Expansion, Growth and New Construction

An element of Four Seasons' business strategy is to increase the number of hotels, resorts and Residence Clubs under management. That expansion is dependent upon a number of factors, including the identification of appropriate management opportunities, competing successfully for the management agreements relating to those opportunities, availability of financing for new developments and timely completion of construction of new hotel, resort and Residence Clubs (or the refurbishment of existing properties) that are, or are to be, managed by Four Seasons.

From time to time, the hotel industry has experienced periods during which financial institutions have been reluctant to provide financing for the construction of real estate properties, including hotels, resorts and Residence Clubs. The inability to obtain financing for a project could cause cancellation of, or short-term interruption in, the progress or completion of properties under construction or development. Additionally, any construction project entails significant construction risks that could delay or result in a substantial increase in the cost of construction. The opening of newly constructed properties, in particular, is contingent upon (among other things) receipt of all required licences, permits and authorizations, including local land use permits, building and zoning permits, health and safety permits and liquor licences. Changes or concessions required by regulatory authorities also could involve significant additional costs and delays or prevent completion of construction or opening of a project. As a result of the global nature of Four Seasons' business, these regulatory matters arise in a number of jurisdictions, many of which have distinctive regulatory regimes.

Guarantees

Four Seasons currently has guaranteed third party debt of US$4.5 million (approximately $6.8 million) with respect to principal and interest relating to the construction financing for the Four Seasons Resort Scottsdale at Troon North. As part of the sale by the Corporation in 1999 of its direct ownership interest in the Four Seasons Resort Scottsdale at Troon North, an affiliate of the purchaser indemnified Four Seasons for any liabilities it may incur under this guarantee. Four Seasons funded in February 2001 an IR£3 million (approximately $6 million) guarantee to fund construction cost overruns in connection with the Four Seasons Hotel Dublin. Four Seasons has provided additional guarantees in connection with the Four Seasons Resort Club Aviara. One such guarantee was entered into to allow lenders to the project access to any distributions received by the Corporation in respect of its ownership interest in the case of a default in respect of debt related to the Resort Club. Other such guarantees, which are not material, have been entered into in the ordinary course in connection with the development of the project. Any amounts that the Corporation believes it is probable that it will have to pay on these guarantees have been provided for in the consolidated financial statements.

Until 1982, FSHL held a co-ownership interest in an office building in Toronto. In 1981, the co-owners obtained financing of approximately $22 million (of which approximately $20.6 million plus accrued interest was outstanding as at December 31, 2000) in connection with the property and FSHL provided a several guarantee with respect to the financing. FSHL sold its interest in the property to a Canadian insurance company in 1982 for consideration consisting of a cash payment and an assumption by the purchaser of FSHL's obligations under the mortgage. FSHL has been advised by the mortgagee that a default has occurred under the mortgage and the mortgagee has commenced a proceeding against Four Seasons and another guarantor. The Corporation is vigorously defending the suit and believes that, as a result of, among other things, the sale by FSHL of its interest in the property and the resulting obligations of the purchaser, obligations of FSHL, if any, to the mortgagee should be offset by corresponding claims against the purchaser.

There is no assurance that Four Seasons will not be required to pay an amount in excess of its current expectations in respect of any of these guarantees.

Investments in and Advances to Managed and Owned Properties

The Corporation has made investments in, and loans in respect of, some of the hotels and resorts that it manages to enable it to acquire the management agreements for those properties or to enhance the terms of those agreements. Currently, Four Seasons holds an ownership or leasehold interest in, or has made loans in respect of or to, 23 of the 51 hotels and resorts that it manages and has made, or expects to make, investments in, or loans in respect of, 15 of the 19 projects under construction or development. In addition, the Corporation has an investment in three Four Seasons Residence Club properties, one of which is currently under development. The book value of total investments and advances as at December 31, 2000 was approximately $509 million.

In addition to the risks associated with operations of a hotel discussed above (see Lodging Industry Conditions and Competition), Four Seasons is subject to risks generally related to owning and leasing real estate in respect of these properties. These risks include, among others, adverse changes in general or local economic conditions, local real estate market conditions, property and income taxes, interest rates, the availability, cost and terms of financing, liability for long-term lease obligations, the potential for uninsured casualty and other losses, the impact of present or future legislation or regulation (including those relating to the environment), adverse changes in zoning laws and other regulations, civil unrest and political instability. In addition, investments in real estate are relatively illiquid and the ability of the Corporation to dispose of its ownership interests, particularly its leasehold interests, in response to changes in economic and other conditions may be limited. Any of these factors could result in material operating losses by a particular hotel or resort and possibly the loss of the Corporation's equity investment in the property or the inability to collect loans outstanding. Holding an interest in a hotel also introduces risks associated with funding of capital expenditures and the Corporation's proportionate share of any operating losses. Where working capital reserves provided by hotel operations are insufficient, debt service, major repairs, renovations, alterations or other capital expenditures generally must be funded by the owners of the hotels and resorts, including in some cases Four Seasons.

Government Regulation

Four Seasons is subject to laws, ordinances and regulations relating to, among other things, environmental matters, the preparation and sale of food and beverages, accessibility for disabled persons and general building and zoning requirements in the various jurisdictions in which Four Seasons manages hotels and resorts. Owners and managers of hotels also may be subject to laws governing the relationship with hotel employees, including minimum wage requirements, overtime, working conditions and work permit requirements. Compliance with these laws can affect the revenues and profits of hotels managed by Four Seasons or could materially and otherwise adversely affect Four Seasons' operations.

Four Seasons, as the current or previous owner or operator of certain hotels, could be liable for clean-up of contamination and other corrective action under various laws, ordinances and regulations relating to environmental matters. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the condition requiring environmental response. The presence of contamination from hazardous or toxic substances, or the failure to properly remediate a contaminated property, may affect an owner's ability to sell or rent the property, to use the property for its intended purpose, or to borrow using the property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances also may be liable for the cost of removal or remediation of substances at the disposal or treatment facility regardless of whether the facility is or was owned or operated by them. In connection with the operation and ownership of various hotels, Four Seasons could be held liable for the cost of remedial action with respect to environmental matters. Four Seasons is not aware of any potential material environmental liabilities for which Four Seasons will be responsible with respect to any of the hotels in which it currently has, or previously had, an ownership interest.

Pursuant to the management agreements to which Four Seasons is a party, the owner is responsible for the costs and expenses of the employees at each hotel and for all costs, expenses and liabilities incurred in connection with the operation of the hotel, including compliance with government regulations. However, Four Seasons may be contingently liable for certain liabilities in respect of which it does not maintain insurance, including certain workers' compensation claims, environmental liabilities and, in respect of hotels in the United States, claims arising under the Americans with Disabilities Act.

Four Seasons generally obtains indemnities from the owners of the hotels that it manages in respect of these liabilities. The value of those indemnities is dependent upon the financial condition of the owners who have provided them.

Political Risk

Four Seasons currently manages and/or has an equity interest in hotels and resorts in 23 countries and currently has development plans to open hotels and resorts in 10 additional countries around the world. In certain of these countries, from time to time, the related assets and revenues may be exposed to political risk.

Insurance

All hotels and resorts managed by Four Seasons are insured against property damage, business interruption and liability at the expense of the owner of the hotel. Under these policies Four Seasons also is insured against loss of fee income in the event of a temporary business interruption at any of the hotels and resorts that it manages. In addition, Four Seasons obtains indemnities from the owners of the hotels that it manages in respect of damages caused by acts, omissions and liabilities of the employees of the hotel or of Four Seasons, other than damages resulting from certain actions of Four Seasons and certain senior management personnel. If Four Seasons were held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations and financial conditions could be materially and adversely affected.

Currency Exposure

Four Seasons has entered into management agreements with respect to hotels throughout the world and reports its results in Canadian dollars; however, its relevant currency risk is in US dollars, as more than half of its revenues and assets currently are US dollar denominated or, in the case of fee revenues and dividend distributions from The Regent Hong Kong, are pegged to the US dollar. In 2000, approximately 71% of the Corporation's consolidated revenues were US dollar denominated or pegged to the US dollar, compared to 74% in 1999. Four Seasons manages its currency exposure through the use of foreign exchange forward contracts. As at December 31, 2000, Four Seasons had sold forward US$217.7 million under 39 forward contracts maturing over a 25-month period. The Corporation earned 18% of its consolidated revenues in 2000 in 13 foreign currencies not pegged to the US dollar, as compared to 11% in 12 foreign currencies in 1999. The increase in the percentage of revenues earned in other foreign currencies in 2000, as compared to 1999, resulted primarily from the full year consolidation of the Four Seasons Hotel Berlin in 2000. Except for the German mark and the pound sterling, none of the revenues in these currencies individually exceeded 3% of Four Seasons' consolidated revenues in 2000 or 1999. Four Seasons manages the pound sterling currency exposure (long-term receivables and revenues) through the use of foreign exchange forward contracts. As at December 31, 2000, Four Seasons has sold forward £30.5 million under three forward contracts maturing between February 2001 and June 2001.

In 2000, the Corporation entered into three Australian dollar foreign exchange forward contracts to hedge a significant portion of the Corporation's long-term receivables denominated in Australian dollars. As at December 31, 2000, the Corporation had sold forward AUS$26 million under three forward contracts maturing between March 30, 2001 and December 31, 2001.

Certain currencies are subject to exchange controls which, in practice, have never resulted in a restriction of the payment of management fees to Four Seasons. In addition, certain of these currencies are not freely traded and are relatively illiquid. To date, Four Seasons has not incurred any material losses resulting from an inability to convert these foreign currencies at favourable exchange rates. Management attempts to minimize its foreign currency risk by monitoring its cash position, keeping fee receivables current, and monitoring the political and economic climate in each country in which it manages a property. In certain hotels, the foreign currency risks are further mitigated by pricing room rates in US dollars.

Asian Asset Exposure

The Corporation continually monitors the estimated recoverable amounts of its assets including those located in, or related to, Asia. These Asian assets consist primarily of the Corporation's investment in The Regent Hong Kong and its investments in management agreements related to Asia. Based on this review, the Corporation concluded that the book value as at December 31, 2000 of its remaining assets located in, or related to, Asia should be recoverable from future cash flows. However, these estimates are based on projections regarding future revenues of hotels located in Asia, which, in turn, are based on assumptions regarding future economic conditions in Asia. Should the underlying assumptions change, the estimated recoverable amounts would have to be adjusted accordingly, and the adjustments could be material.

Seasonality

Four Seasons' hotels are affected by normally recurring seasonal patterns and, for most of the hotels, demand is lower in December through March than during the remainder of the year. The Corporation's ownership operations are particularly affected by seasonal fluctuations, with lower revenue, operating profit and cash flow in the first and fourth quarters; ownership positions typically incur an operating loss in the first quarter of each year.

Management operations also are somewhat seasonal in nature, as fee revenues are affected by the seasonality of hotel revenues and operating results. Urban hotels generally experience lower revenues and operating results in the first and fourth quarters thereby negatively impacting management revenues. However, this negative impact on management revenues is offset, to some degree, by increased travel to resorts in those months and may be offset to a greater extent as the portfolio of resort properties managed by Four Seasons increases.

Intellectual Property

In the highly competitive service industry in which Four Seasons operates, Four Seasons has a significant number of trade names, trademarks, service marks and logos, and significant time and effort are spent each year on surveillance, registration and protection of trade names, trademarks, service marks and logos. The loss or infringement of any of Four Seasons' trade names, trademarks, service marks and logos could have a material adverse effect on Four Seasons.

Risks Associated with Residence Club Business

Four Seasons currently operates two Residence Clubs. The Corporation is expanding its presence in the luxury segment of the interval and fractional ownership industry with one other project expected to commence sales in 2001 and a number of others under development. The same risk factors affecting the luxury segment of the hotel industry, as more fully outlined above and in this "Operating Risks" section, also affect the interval and fractional ownership industry. In particular, "Lodging Industry Conditions," "Competition," "Dependence on Management Agreements," "Risk Associated with Expansion, Growth and New Construction," "Investments and Advances," "Government Regulation," "Political Risk," "Insurance," "Currency Exposure," "Seasonality" and "Intellectual Property" also apply to the interval and fractional ownership industry. Accordingly, Four Seasons' ability to successfully develop and sell interests in Residence Clubs that are built, and the various fees earned by Four Seasons from each Residence Club project, could be adversely and materially harmed by one or any combination of the above factors.

Dependence on Key Employees

The success of Four Seasons depends in part on its senior executives. In particular, senior management of Four Seasons is responsible for the development and maintenance of relationships with investors in the hotels and resorts that are managed by Four Seasons. The unanticipated departure of individuals responsible for those relationships could have a material and adverse effect for some period of time on relationships affecting properties that are, or that will be, managed by Four Seasons.

Corporate Information

Market for Securities

The Limited Voting Shares are listed on the Toronto and New York stock exchanges.

Dividend Policy

The Board of Directors of FSHI has established a policy of paying a semi-annual dividend to holders of its shares. Since 1990 and until October 3, 1996, FSHI paid semi-annual cash dividends of $0.055 per Limited Voting Share and Variable Multiple Voting Share. Since October 3, 1996, the dividend entitlement in respect of the Variable Multiple Voting Shares has been reduced to 50%, on a per share basis, of the dividend entitlement on the Limited Voting Shares. The payment of dividends in the future is subject to the Corporation's earnings and financial condition and such other factors as FSHI's Board of Directors may deem relevant. There are no restrictions currently that prevent FSHI from continuing to pay a semi-annual dividend of $0.055 per Limited Voting Share.

Directors and Officers

The following table sets forth certain information regarding each of FSHI's executive officers and directors:

Name and Residence	Position with FSHI	Principal Occupation
Isadore Sharp[1] Toronto, Ontario	Chairman, Chief Executive Officer and Director	Chairman and Chief Executive Officer, Four Seasons Hotels Limited
Edmond M. Creed[1] Toronto, Ontario	Director	Retired Executive
Frederick Eisen Toronto, Ontario	Director	President and Chief Executive Officer, The Eisen Corporation[2]
H. Roger Garland Toronto, Ontario	Director	Corporate Director
Nan-b de Gaspé Beaubien[1][3][4] Montreal, Quebec	Director	Co-Chair, Business Families Foundation[5] and Co-Chair, Gasbeau Company[6]
Charles S. Henry[1][4][7][8] New York, New York	Director	President, Hotel Capital Advisers, Inc.[9]
Mustafa Ibrahim Al-Hejailan[7] Riyadh, Saudi Arabia	Director	Executive Director, International Investments, Kingdom Holding Company[10]
Murray B. Koffler[4][8] Toronto, Ontario	Director	Partner, The Koffler Group[10]
J. Robert S. Prichard[3][4] Toronto, Ontario	Director	Professor of Law and President Emeritus, University of Toronto[11]
Lionel H. Schipper[1][4][8] Toronto, Ontario	Director	President, Schipper Enterprises Inc.[10]
Anthony Sharp Toronto, Ontario	Director	President, AD Sharp Development, Inc.[12]
Benjamin Swirsky[1][8] Toronto, Ontario	Director	Chairman and Chief Executive Officer, Beswir Properties Inc.[10]
Shuichiro Tamaki Tokyo, Japan	Director	Executive Vice-President, Japan-Mexico Hotel Investment Co., Ltd.[13]
Douglas L. Ludwig Toronto, Ontario	Executive Vice President, Chief Financial Officer and Treasurer	Executive Vice President, Chief Financial Officer and Treasurer, Four Seasons Hotels Limited
Wolf H. Hengst Toronto, Ontario	President, Worldwide Hotel Operations	President, Worldwide Hotel Operations, Four Seasons Hotels Limited
Craig O. Reith Toronto, Ontario	Vice President Finance and Assistant Treasurer	Vice President Finance and Assistant Treasurer, Four Seasons Hotels Limited
Kathleen Taylor Toronto, Ontario	President, Worldwide Business Operations	President, Worldwide Business Operations, Four Seasons Hotels Limited
Randolph Weisz Toronto, Ontario	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel and Secretary, Four Seasons Hotels Limited
Sarah Cohen Toronto, Ontario	Vice President, Corporate Counsel and Assistant Secretary	Vice President, Corporate Counsel and Assistant Secretary, Four Seasons Hotels Limited

1 Member of the Compensation and Organization Committee.

2 Financial and development consulting company.

3 Elected by the holders of the Limited Voting Shares.

4 Member of the Corporate Governance Committee.

5 Non-profit foundation.

6 Family holding company.

7 Nominee of Kingdom, which has the right pursuant to an agreement with Triples Holdings Limited and Isadore Sharp to elect two directors to the FSHI Board of Directors.

8 Member of the Audit Committee.

9 Hotel investment advisory firm.
10 Investment/holding company.
11 Educational institution.
12 Real estate/resort development company.
13 Real estate holding company.

Edmond M. Creed, Murray B. Koffler and Isadore Sharp have served as directors of the Corporation and Four Seasons Hotels Inc.'s predecessor corporation since January 9, 1978. Frederick Eisen, H. Roger Garland and Benjamin Swirsky were elected to the Board of Directors of Four Seasons Hotels Inc.'s predecessor corporation on October 1, 1985. Lionel H. Schipper was appointed to the Board of Directors on February 18, 1988. Shuichiro Tamaki was appointed to the Board of Directors on April 18, 1991. Charles S. Henry was appointed to the Board of Directors on November 11, 1994. J. Robert S. Prichard was appointed to the Board of Directors on March 6, 1996. Nan-b de Gaspé Beaubien was elected to the Board of Directors on May 23, 1997. Anthony Sharp was appointed to the Board of Directors on August 25, 1999. Mustafa Ibrahim Al-Hejailan was appointed to the Board of Directors on August 2, 2000.

All of the Directors will hold office until the next annual meeting of shareholders, or until their successors are elected or appointed. All of the officers and directors of Four Seasons Hotels Inc. have held their principal occupations for more than five years with the exception of the following. H. Roger Garland was Vice Chairman of the Corporation prior to December 29, 2000. J. Robert S. Prichard was President, University of Toronto prior to June 30, 2000. Anthony Sharp was Executive Vice President, Vacation Ownership of the Corporation prior to September 7, 1999, and was Vice President, Vacation Ownership of the Corporation prior to January 1, 1998. Shuichiro Tamaki was Advisor, Jowa Corporation prior to June 26, 2000. Douglas Ludwig was Senior Vice President, Chief Financial Officer and Treasurer prior to January 1, 1997. Wolf H. Hengst was Executive Vice President, Operations of the Corporation prior to November 1, 1999, and was President of Regent International Hotels Limited prior to January 1, 1998. Kathleen Taylor was President, Worldwide Business Operations and Secretary prior to February 15, 2001, was Executive Vice President and Chief Corporate Officer prior to November 1, 1999, was Executive Vice President, Corporate Planning and Development and General Counsel prior to April 25, 1998, and was Senior Vice President, Corporate Planning and Development and General Counsel prior to January 1, 1997. Kathleen Taylor was formerly a director of The T. Eaton Company Limited ("Eaton's") which, in 1999, completed a court sanctioned reorganization pursuant to a plan of compromise and arrangement under the corporate and insolvency laws of Ontario and Canada, respectively. As a result of this situation, trading of the common shares of Eaton's was suspended by The Toronto Stock Exchange on August 23, 1999 and the common shares were ultimately delisted in connection with the implementation of the reorganization. Randolph Weisz was Senior Vice President and General Counsel of the Corporation prior to February 15, 2001, was Vice President, Legal Affairs of the Corporation prior to April 25, 1998, and was a Partner at Goodmans LLP prior to February 1, 1998. Sarah Cohen was Corporate Counsel of the Corporation prior to February 15, 2001, and was a lawyer at Torys prior to April 6, 1998.

The directors and executive officers of Four Seasons Hotels Inc., as a group, own beneficially, directly or indirectly, or exercise control or direction over, the following number of Limited Voting Shares and Variable Multiple Voting Shares:

Description of Class	No. of Shares	Percentage of Class
Limited Voting Shares	574,898	1.86%
Variable Multiple Voting Shares	3,986,872	100%

Additional Information

Four Seasons shall provide to any person, upon request to the office of the Secretary of Four Seasons Hotels Inc. at 1165 Leslie Street, Toronto, Ontario, Canada M3C 2K8 (telephone (416) 449-1750):

(a) when the securities of Four Seasons Hotels Inc. are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,

   (i) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form,

   (ii) one copy of the comparative financial statements of Four Seasons for its most recently completed financial year together with the accompanying report of the auditors and one copy of any interim financial statements of Four Seasons subsequent to the financial statements for its most recently completed financial year,

   (iii) one copy of the Management Information Circular of Four Seasons Hotels Inc. prepared for the most recent Annual Meeting of Shareholders, and

   (iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any of the documents referred to in (a)(i), (ii) and (iii) above, provided that in either case Four Seasons may require the payment of a reasonable charge if the request is made by a person who is not a security holder of Four Seasons Hotels Inc.

Additional information relating to Four Seasons, including directors' and officers' remuneration and indebtedness, interests of insiders in material transactions, principal holders of securities of Four Seasons Hotels Inc. and options to purchase securities is contained in Four Seasons Hotels Inc.'s Management Information Circular prepared for the most recent Annual Meeting of Shareholders. Additional financial information, including consolidated comparative audited financial statements for the years ended December 31, 1999 and 2000, is provided in Four Seasons' 2000 Annual Report.

A copy of such documents may be obtained upon request from the Secretary of Four Seasons Hotels Inc. at the address and telephone number noted above.

Corporate Chart

The following chart illustrates Four Seasons' corporate structure, and includes corporations in which Four Seasons has a significant interest, either directly or indirectly, and their jurisdictions of incorporation or organization.

Notes:

A The management of Four Seasons hotels in North America is generally carried out by Four Seasons Hotels Limited.

B Direct.

C The management of Four Seasons hotels outside North America and Regent Hotels is generally carried out by Four Seasons Hotels and Resorts B.V. and Four Seasons Hotels and Resorts Asia Pacific Pte Ltd.

D Indirect.

Management's Responsibility for Financial Reporting

The management of Four Seasons Hotels Inc. is responsible for the preparation and integrity of the financial statements and related financial information of the Corporation and the selection of accounting principles appropriate to the Corporation's circumstances. The consolidated financial statements, notes and other financial information included in the Annual Report were prepared in accordance with accounting principles generally accepted in Canada. The statements also include estimated amounts based on informed judgments of current and future events, for items such as the useful lives of capital assets and provisions for impairment in the value of assets. These estimates are made with appropriate consideration of the materiality of the amounts involved. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management is also responsible for maintaining a system of internal controls and budgeting procedures which are designed to provide reasonable assurance that assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, and relevant and reliable financial information is produced. To augment the internal control system, the Corporation maintains a program of internal audits covering significant aspects of the operations.

The Corporation's Audit Committee is appointed by the Board of Directors annually. The Committee meets with the internal and independent auditors (who have free access to the Audit Committee) and with management, to satisfy itself that each group is properly discharging its responsibilities, and to review the financial statements, the independent auditors' report and other financial information appearing in the Corporation's Annual Report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

KPMG LLP, the independent auditors appointed by the shareholders of the Corporation, have examined the financial statements in accordance with generally accepted auditing standards.

February 15, 2001

Isadore Sharp
Chairman and Chief Executive Officer

Douglas L. Ludwig
Chief Financial Officer,
Executive Vice President and Treasurer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Four Seasons Hotels Inc. as at December 31, 2000 and 1999 and the consolidated statements of operations, retained earnings, cash provided by operations and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 15, 2001

KPMG LLP
Chartered Accountants

Consolidated Statements of Operations

Years ended December 31, 2000 and 1999 *(In thousands of dollars except per share amounts)*	2000	1999
Consolidated revenues	$ 347,507	$ 277,548
Management Operations:		
Revenues	$ 185,294	$ 143,984
General and administrative expenses	(59,532)	(54,858)
	125,762	89,126
Ownership Operations:		
Revenues	161,061	132,371
Distributions from hotel investments	9,047	8,310
Expenses:		
Cost of sales and expenses	(148,590)	(125,214)
Fees to Management Operations	(7,895)	(7,117)
	13,623	8,350
Earnings before other operating items	139,385	97,476
Depreciation and amortization	(14,028)	(12,492)
Other operating income, net (notes 3, 9(b) and 11)	8,669	3,587
Earnings from operations	134,026	88,571
Interest income, net (note 9(e))	4,190	409
Earnings before income taxes	138,216	88,980
Income tax recovery (expense) (note 8):		
Current	(33,412)	(1,665)
Future	1,796	(836)
Reduction of future income tax assets	(3,526)	—
	(35,142)	(2,501)
Net earnings	$ 103,074	$ 86,479
Earnings per share	$ 2.98	$ 2.52

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 2000 and 1999 *(In thousands of dollars)*	**2000**	1999
Assets		
Current assets:		
Cash and cash equivalents	**$ 218,100**	$ 222,245
Receivables (note 2)	**94,265**	60,931
Inventory	**2,806**	2,869
Prepaid expenses	**1,499**	1,754
	316,670	287,799
Long-term receivables (note 3)	**167,214**	129,174
Investments in hotel partnerships and corporations (note 4)	**172,579**	116,010
Fixed assets (note 5)	**46,342**	39,748
Investment in management contracts (note 6)	**189,171**	186,025
Investment in trademarks and trade names (note 7)	**34,829**	35,306
Future income tax assets (note 8)	**21,771**	6,864
Other assets	**35,821**	31,213
	$ 984,397	$ 832,139
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 71,345**	$ 57,311
Long-term obligations due within one year (note 9)	**1,152**	1,005
	72,497	58,316
Long-term obligations (note 9)	**203,736**	186,126
Shareholders' equity (note 10):		
Capital stock	**316,640**	308,993
Convertible notes (note 9(b))	**178,543**	178,424
Contributed surplus	**4,784**	4,784
Retained earnings	**202,760**	94,150
Equity adjustment from foreign currency translation	**5,437**	1,346
	708,164	587,697
Commitments and contingencies (note 12)		
	$ 984,397	$ 832,139

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Isadore Sharp
Director

Benjamin Swirsky
Director

Consolidated Statements of Cash Provided by Operations

Years ended December 31, 2000 and 1999 *(In thousands of dollars)*	**2000**	1999
Cash provided by (used in) operations:		
Management Operations:		
Earnings before other operating items	**$ 125,762**	$ 89,126
Items not requiring (providing) an outlay (inflow) of funds	**(250)**	689
Working capital provided by Management Operations	**125,512**	89,815
Ownership Operations:		
Earnings before other operating items	**13,623**	8,350
Items not providing an inflow of funds	**(749)**	(302)
Working capital provided by Ownership Operations	**12,874**	8,048
	138,386	97,863
Realized foreign exchange gain (loss)	**1,052**	(2,419)
Recovery of loss	**4,039**	6,006
Interest received	**16,752**	12,262
Interest paid	**(8,096)**	(9,490)
Current income tax paid	**(15,711)**	(1,665)
Change in non-cash working capital	**(33,789)**	4,230
Cash provided by operations	**$ 102,633**	$ 106,787

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2000 and 1999 *(In thousands of dollars)*	**2000**	1999
Cash provided by (used in):		
Operations	**$ 102,633**	$ 106,787
Financing:		
Long-term obligations, including current portion:		
Issued	**645**	—
Repaid	**(1,071)**	(46,458)
Issuance of shares (note 10(a))	**7,647**	8,188
Issuance of convertible notes (note 9(b))	—	244,721
Dividends paid	**(3,579)**	(3,539)
Other	**(71)**	(423)
Cash provided by financing	**3,571**	202,489
Capital investments:		
Increase in long-term receivables	**(68,984)**	(80,976)
Decrease in long-term receivables	**24,861**	3,997
Hotel investments	**(43,262)**	(40,535)
Disposal of hotel investment (note 4(b))	—	34,025
Purchase of fixed assets	**(11,137)**	(13,016)
Investment in trademarks, trade names and management contracts	**(6,938)**	(1,182)
Other assets	**(6,537)**	(5,171)
Cash used in capital investments	**(111,997)**	(102,858)
Increase (decrease) in cash and cash equivalents	**(5,793)**	206,418
Increase (decrease) in cash and cash equivalents due to unrealized foreign exchange gain (loss)	**1,648**	(1,764)
Cash and cash equivalents, beginning of year	**222,245**	17,591
Cash and cash equivalents, end of year	**$ 218,100**	$ 222,245

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2000 and 1999 *(In thousands of dollars)*	**2000**	1999
Retained earnings, beginning of year	**$ 94,150**	$ 11,236
Net earnings	**103,074**	86,479
Dividends declared	**(3,605)**	(3,565)
Effect of adoption of new standard on accounting for pension benefits (note 1(j)(i))	**(7,476)**	—
Effect of adoption of new standard on accounting for income taxes (note 1(j)(ii))	**16,637**	—
Loss on redemption of convertible notes (note 9(b))	**(20)**	—
Retained earnings, end of year	**$ 202,760**	$ 94,150

See accompanying notes to consolidated financial statements.

Years ended December 31, 2000 and 1999
(In thousands of dollars except per share amounts)

Four Seasons Hotels Inc. ("FSHI") is incorporated under the Business Corporations Act of the Province of Ontario and, through its subsidiaries, is engaged in the management of, and the investment in, hotel, resort and interval, fractional and whole ownership residential properties throughout the world (note 14) (FSHI and its subsidiaries are collectively referred to as the "Corporation").

At December 31, 2000, the Corporation managed 48 hotels and resorts, two residence clubs and had various projects under construction or development, of which the Corporation had an equity interest in 10 hotels and resorts under management, two residence clubs and five projects under construction. The Corporation earns management and other related fees under long-term management contracts based generally on a percentage of total revenues and operating profits of the managed properties.

1) *Significant accounting policies:*

The Corporation's accounting policies and its standards of financial disclosure comply with accounting principles that are generally accepted in Canada. The significant accounting policies are summarized below:

(a) Principles of consolidation:

The Corporation consolidates all of its wholly owned subsidiaries, including its primary operating subsidiaries—Four Seasons Hotels Limited, Four Seasons Hotels and Resorts Asia Pacific Pte Ltd. ("FS Asia") and FSR International Hotels Limited ("Regent"). In December 1999, Regent transferred the majority of its assets and liabilities to FS Asia.

The Corporation consolidates its 100% leasehold interests in the Four Seasons Hotel Vancouver and The Pierre New York, and effective November 30, 1999, the Corporation also consolidates its 100% leasehold interest in the Four Seasons Hotel Berlin (note 12(a)).

(b) Accounting for investments in hotel partnerships and corporations:

The Corporation accounts for its investments in hotel partnerships and corporations by the cost method because either the percentage ownership and structure does not give the Corporation significant influence over these investments or the investments were acquired with the intention that they be disposed of in the foreseeable future.

The Corporation recognizes revenue on its investments in these partnerships and corporations when profit distributions are receivable from the partnerships or corporations.

In the event of a decline in value of an investment in the equity of a hotel partnership or corporation that is other than temporary, the investment is written down to the estimated recoverable amount.

(c) Translation of foreign currencies:

Foreign currency balances of the Corporation and of foreign operations designated as integrated are translated into domestic currencies at the rates of exchange on the balance sheet date for monetary items, and at the rates of exchange on the date of transaction for non-monetary items. The resulting translation gains or losses are included in the determination of net earnings, except for gains or losses related to foreign currency denominated long-term obligations designated as hedges of investments in self-sustaining foreign operations, which are deferred and included in a separate component of shareholders' equity.

Translation gains or losses on foreign exchange forward contracts designated as hedges of long-term receivables are included in income in the same period as the related translation losses or gains on the hedged receivables. Any premiums or discounts on the forward contracts are amortized to interest expense over the terms of the contracts.

Revenues and expenses denominated in foreign currencies are translated at the rates of exchange on the dates of the transactions, except for revenues hedged by foreign exchange forward contracts, which are translated at the contract rates.

The financial statements of foreign investments designated as self-sustaining operations are translated into Canadian dollars as follows:

(i) Assets and liabilities at rates of exchange on the balance sheet date; and

(ii) Revenue and expense items at average rates of exchange in effect during the year.

The resulting exchange gains and losses are deferred and included in a separate component of shareholders' equity. A gain or loss equivalent to a proportionate amount of the exchange gains and losses accumulated in the separate component of shareholders' equity is recognized in income when there has been a reduction in the net investment resulting from a sale of part or all of the Corporation's interest in the foreign operation, or a reduction in the shareholders' equity of the foreign operation as a result of dividend distributions or other capital transactions.

(d) Capital assets:

Land, buildings, furniture, fixtures, equipment and leasehold interests and improvements are recorded at cost less accumulated depreciation and amortization.

The capitalized cost of hotel management contracts acquired as part of the acquisition of Regent in 1992 represents the present value at the time of acquisition of the estimated future net cash flows expected to be received over the estimated lives of the contracts.

The cost of acquiring or enhancing other hotel management contracts is capitalized and recorded as "Investment in management contracts."

Prior to January 1, 1998, the cost of trademarks and trade names included the estimated fair value of the "Regent" trademark and trade name at the date of the Regent acquisition. Subsequently, the cost of trademarks and trade names includes the portion of the net book value that relates to the rights to the "Regent" name transferred to Carlson Hospitality Worldwide.

The cost of trademarks and trade names also includes the cost of registering the "Four Seasons" trademarks and trade names throughout the world.

(e) Depreciation and amortization of capital assets:

Depreciation of buildings is recorded on a straight-line basis over 40 years.

Depreciation of furniture, fixtures and equipment is recorded on a straight-line basis at rates which will fully depreciate the assets over their estimated useful lives. The estimated composite useful lives for furniture, fixtures and equipment range from three to 20 years.

Amortization of leasehold interests and improvements is recorded on a straight-line basis over the terms of the leases.

The costs allocated to trademarks and trade names are amortized on a straight-line basis over a 40-year period.

The costs capitalized for hotel management contracts are amortized on a straight-line basis over the terms of the contracts.

The recoverability of the unamortized cost of trademarks, trade names and hotel management contracts is periodically evaluated to determine whether such costs will be recovered from future operations. The Corporation bases these evaluations upon the projected future net fee stream on an undiscounted basis. If the undiscounted net fee streams are insufficient to recover the remaining net book value, then the undiscounted net fee stream is used as the revised carrying value, and a write-down for the difference is recorded. Events that cause impairment to individual hotel management contracts, such as termination or sale, result in write-offs as the events occur.

(f) Deferred charges:

The Corporation defers legal, consulting, travel and other costs directly relating to the negotiation, structuring and execution of new contracts relating to projects which, in management's judgment, have a high probability of opening. When the property is opened, these deferred charges are reclassified to "Investment in management contracts." If the project is abandoned, any deferred charges are written off. The deferred charges associated with new management contracts developed by the Corporation are amortized on a straight-line basis over a 10-year period commencing when the hotel is opened.

(g) **Cash and cash equivalents:**
The Corporation's investments in cash and cash equivalents are highly liquid, with maturities of less than 30 days. These investments include bank deposits, guaranteed investment certificates and money market funds held with major financial institutions.

(h) **Use of estimates:**
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

The most significant estimates that the Corporation is required to make relate to the recoverability of its investments in (i) long-term receivables, (ii) hotel partnerships and corporations, (iii) management contracts, and (iv) trademarks and trade names.

The estimated recoverable amounts of these investments usually depend upon estimates of the profitability of the related managed hotels, which, in turn, depend upon assumptions regarding future conditions in the general or local hospitality industry, competition from other hotels, changes in travel patterns, and other factors that affect the hotels' gross operating revenue (which is the factor on which the Corporation's base management fee revenues are normally based) and net operating profit (which is the factor on which the Corporation's incentive fee revenues are normally based).

The estimates of recoverable amounts of these investments may also depend upon assumptions regarding local real estate market conditions, property and income taxes, interest rates and the availability, cost and terms of financing, the impact of present or future legislation or regulation, and other factors affecting the profitability and saleability of the hotels.

These assumptions are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of recoverable amounts are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated recoverable amounts could change by a material amount.

(i) **Stock options:**
The Corporation has an executive stock option plan (note 10(a)). No compensation expense is recognized when options are issued. Any consideration paid to the Corporation on exercise of options is credited to capital stock. If options are repurchased by the Corporation, the consideration paid is charged to retained earnings.

(j) **Change in accounting polices:**
Effective January 1, 2000, The Canadian Institute of Chartered Accountants ("CICA") changed the accounting standards relating to the accounting for future employee benefits, including pension benefits, and the accounting for income taxes.

(i) Pension and other post-retirement benefits:
The CICA's new standard on accounting for employee future benefits, including pension benefits, requires the use of a current settlement discount rate to measure the accrued pension benefit obligation. Prior to adoption of this new accounting standard, pension expense was determined using a long-term rate of return to measure accrued pension benefits.

The Corporation has decided to adopt the new standard for pension benefits retroactively, without restating the financial statements of any prior periods. In addition, the Corporation will now use the corridor method to amortize actuarial gains or losses (such as changes in actuarial assumptions and experience gains or losses). Under the corridor method, amortization is recorded only if the accumulated net actuarial gains or losses exceed 10% of the greater of accrued pension benefit obligation and the value of the plan assets. Previously, actuarial gains and losses were amortized on a straight-line basis over the average remaining service life of the employees. As a result, the Corporation has recorded a decrease to retained earnings with a corresponding increase to accrued pension obligation of $7,476 as at January 1, 2000.

(ii) Income taxes:

The CICA's new standard on accounting for income taxes adopts the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Corporation's provision for current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

Prior to adoption of this new accounting standard, income tax expense was determined using the deferral method. Under this method, deferred income tax expense was determined based on "timing differences" (differences between the accounting and tax treatment of items of expense or income), and was measured using the tax rates in effect in the year the differences originated. Certain deferred tax assets, such as the benefit of tax losses carried forward, were not recognized unless there was virtual certainty that they would be realized.

The Corporation has adopted the new income tax accounting standard retroactively, without restating the financial statements of any prior periods. As a result, the Corporation has recorded an increase to retained earnings with a corresponding increase to future income tax assets, formerly deferred income taxes, of $16,637 as at January 1, 2000.

2) Receivables:

	2000	1999
Trade accounts of consolidated hotels	**$ 12,504**	$ 10,216
Receivable from hotel partnerships, affiliates and managed hotels	**68,752**	39,493
Other	**13,009**	11,222
	$ 94,265	$ 60,931

Receivables at December 31, 2000 are recorded net of an allowance for doubtful accounts of $4,042 (1999 – $3,523). The net bad debt expense for the year ended December 31, 2000 was $586 (1999 – $1,043).

3) Long-term receivables:

	2000	1999
Secured cash flow bond, interest at 10%, due 2005, £10.1 million (1999 – £10.3 million) (a)	**$ 22,435**	$ 26,105
Secured loans:		
Secured by shares:		
Interest at 10%, due 2038, £12.2 million (b)	**27,007**	31,025
Interest at 7.5%, compounded quarterly, due 2002, AUS$18,565 (1999 – AUS$17,235)	**17,436**	16,344
Interest at LIBOR plus 3%, US$10,353 (1999 – US$8,475) (note 4(b))	**15,531**	12,232
Secured by property:		
Interest at 7%, compounded annually, repayable over the period to 2025, US$11,159	**16,741**	—
Interest at 7.73%, compounded monthly, repayable over the period to 2004, US$5,000	**7,501**	—
Secured by a hotel property sold	**—**	6,530
Due from directors, officers and employees, non-interest bearing notes and mortgages	**11,180**	11,252
Unsecured loans to managed hotels:		
Interest at 10%, due 2010, US$14,000	**21,003**	—
Interest at 10.5%, compounded monthly, AUS$9,416 (1999 – AUS$8,480)	**8,499**	8,041
Interest at 7.5%, compounded annually, AUS$4,400	**3,673**	—
Interest at 7%, US$4,424 (1999 – US$1,841)	**6,602**	2,657
Interest at 6%, due 2009, €3 million	**4,180**	4,344
Non-interest bearing, US$7,650 (1999 – US$6,886) (c)	**12,927**	9,940
Non-interest bearing, £3 million	**—**	6,994
Interest at Canadian bankers' acceptance rate plus 3/4%	**—**	927
	174,715	136,391
Less allowance for doubtful long-term receivables (c)	**(7,501)**	(7,217)
	$ 167,214	$ 129,174

(a) The cash flow bond is due from an affiliate of Kingdom Investments Inc. ("Kingdom"), which is a significant shareholder of FSHI. Principal and interest on the bond are payable annually every March out of 50% of the available cash flow (as defined in the bond indenture) from the Four Seasons Hotel London. The bond is secured by the purchaser's investment in the hotel. During 2000, principal repayment of £0.2 million (1999 – £0.9 million) was received by the Corporation, as well as all interest accrued on the bond to March 2000. Interest income from the bonds has been fully accrued in 2000, as the Corporation believes there is reasonable assurance the interest will be received in March 2001.

(b) The loan is due from an affiliate of Kingdom. Principal and interest on the loan are payable annually every March out of the other 50% of the available cash flow from the Four Seasons Hotel London. The loan is secured by the affiliate's additional indirect interest in the hotel. During 2000, the Corporation received payment for all interest accrued in 1999. Interest income from the loan has been fully accrued in 2000, as the Corporation believes there is reasonable assurance the interest will be received in March 2001.

(c) As at December 31, 2000 and 1999, the amounts included a loan by the Corporation of US$5,000 ($7,501) to the owner of The Regent Hotel Jakarta which opened in late 1995. This loan is unsecured, non-interest bearing, and convertible into a 5% equity interest in the hotel, subject to regulatory approval. If the loan is not converted into equity of the hotel, the loan is repayable in full on December 14, 2003.

The owner of the hotel has a bank loan which is secured by the hotel. The owner stopped servicing this loan and the

loan has been classified by the Indonesian Banking Restructuring Agency ("IBRA") as non-performing. The IBRA has acquired the loan from the bank. The owner is preparing to present a restructuring plan to the IBRA but it is possible that the IBRA will enforce its security and sell the hotel. In that event, the Corporation, along with all other unsecured creditors of the owner, would be entitled to obtain repayment from the sale proceeds, proportionately, after outstanding claims of all secured creditors have been satisfied. The Corporation intends to take whatever actions are available to it to ensure management of the hotel remains with the Corporation. The Corporation has fully reserved for its loan to the owner of the hotel as at December 31, 2000 and 1999.

Changes in the allowance for doubtful long-term receivables consist of:

		2000		1999
Balance, beginning of year	**$**	**(7,217)**	$	(7,730)
Foreign exchange		**(284)**		513
Balance, end of year	**$**	**(7,501)**	$	(7,217)

The only impaired long-term receivable identified by the Corporation at December 31, 2000 and 1999 is discussed in item (c) above. No interest income was recognized on impaired long-term receivables in 2000 or 1999.

During 2000, the Corporation recovered $8,922 (1999 – $6,006) on amounts that had been written off in prior years. This recovery is recorded as "Other operating income, net."

4) Investments in hotel partnerships and corporations:

		2000		1999
The Regent Hong Kong (a)	**$**	**6,251**	$	6,615
Four Seasons Resort and Resort Club Scottsdale (b)		**16,147**		6,922
Four Seasons Hotel Prague (c)		**24,885**		22,103
Other operating properties		**66,325**		56,271
Other properties under construction or development		**58,971**		24,099
	$	**172,579**	$	116,010

(a) Investment in The Regent Hong Kong:

The Corporation has a 25% leasehold interest in The Regent Hong Kong. The initial term of the leasehold terminated in December 2000. An option to extend the lease agreement for an additional 10 years was exercised. The landlord and the lessee have referred to arbitration determination of the rent to be paid during the renewal term. The Corporation amortizes the cost of its investment in The Regent Hong Kong on a straight-line basis over the remaining term of the initial leasehold and renewal term. Amortization expense during the year was $617 (1999 – $618).

The management contract for the hotel, which expired in December 2000, has been extended to May 31, 2001 and the Corporation will continue to pursue other transactions through which it may secure its right to continue to operate the hotel.

(b) Investment in the Four Seasons Resort and Resort Club Scottsdale:

In December 1999, the Corporation sold its direct ownership interest in the Four Seasons Resort Scottsdale (the "Resort") and a 50% interest in two parcels of land adjacent to the Resort for proceeds approximating book value, which was composed of cash proceeds of US$23,146, a preferred profits interest of US$10,624 in the purchaser's interest in the Resort, and advances receivable of US$1,430.

As a result of the sale of the direct ownership interest in the Resort, the Corporation holds a 15.4% interest in the partnership that has a 25.03% equity interest in the Resort.

As at December 31, 2000, the Corporation had outstanding advances to the Four Seasons Resort Club Scottsdale (the "Resort Club") of US$10,353 (1999 – US$8,475). During 2000, the Corporation made advances to the Resort Club of US$7,917 and in January 2000 converted US$6,039 of these advances to a 65.79% equity interest in the Resort Club. The Corporation is in discussions with the purchaser of its direct interest in the Resort relating to the sale of a portion of the Corporation's equity interest in the Resort Club.

(c) Investment in the Four Seasons Hotel Prague:

The Corporation has a 67% equity interest in the company that owns and was constructing the Four Seasons Hotel Prague. The hotel opened in February 2001. The Corporation anticipates disposing of its 67% equity interest.

5) Fixed assets:

		2000			1999
	Cost	Accumulated depreciation/ amortization		**Net book value**	Net book value
Land	$ 1,000	$ —		**$ 1,000**	$ 1,000
Buildings	9,524	(1,929)		**7,595**	7,689
Furniture, fixtures and equipment	39,019	(10,613)		**28,406**	24,077
Leasehold interests and improvements	11,684	(2,343)		**9,341**	6,982
	$ 61,227	$ (14,885)		**$ 46,342**	$ 39,748

Depreciation and amortization expense for fixed assets was $4,971 (1999 – $4,156).

6) Investment in management contracts:

	2000	1999
Management contracts, at cost	**$ 225,410**	$ 214,854
Less accumulated amortization	**(36,239)**	(28,829)
	$ 189,171	$ 186,025

Amortization expense for management contracts was $7,380 (1999 – $5,627).

7) Investment in trademarks and trade names:

	2000	1999
Trademarks and trade names, at cost	**$ 41,074**	$ 40,560
Less accumulated amortization	**(6,245)**	(5,254)
	$ 34,829	$ 35,306

Amortization expense for trademarks and trade names was $977 (1999 – $1,912).

8) *Income taxes:*

The sources of earnings before provision for income taxes comprise the following:

	2000	1999
Canada	$ 93,593	$ 66,897
Foreign	44,623	22,083
	$ 138,216	$ 88,980

The provision for income taxes is as follows:

	2000	1999
Current:		
Canada	$ (30,342)	$ (239)
Foreign	(3,070)	(1,426)
	(33,412)	(1,665)
Future:		
Canada	1,796	—
Foreign	—	(836)
	1,796	(836)
Reduction of future income tax assets (Canada)	(3,526)	—
	$ (35,142)	$ (2,501)

The reduction of future income tax assets relates to the reductions in the Canadian federal income tax rates. The reductions, which were announced in the first quarter of 2000 and enhanced in the last quarter of 2000, are to be phased in over the next four years. As a result of this decrease in the income tax rates, the ongoing benefit of the Corporation's future income tax assets is reduced. The $3,526 expense reflects the reduction in the ongoing benefit.

Income tax expense varies from the amount computed by applying combined Canadian federal and provincial tax rates to earnings before income taxes as follows:

	2000	1999
Earnings before income taxes	$ 138,216	$ 88,980
Items not subject to tax	(18,874)	(3,576)
Earnings subject to tax	$ 119,342	$ 85,404
Statutory Canadian federal and provincial tax rates	41.5%	41.5%
Expected income tax expense	$ (49,527)	$ (35,443)
Reduction in tax due to lower foreign tax rates	12,354	4,851
Change in beginning of year balance in valuation allowance for future income tax assets	5,825	—
Adjustments to future income tax assets and liabilities for changes in tax basis caused by tax reorganization, dispositions, other	(268)	(260)
Tax benefit of prior years' losses	—	28,351
Income tax expense before effect of tax rate reductions	(31,616)	(2,501)
Reduction of future income tax assets due to change in tax rates	(3,526)	—
Income tax expense	$ (35,142)	$ (2,501)

The significant components of future income tax recovery attributable to earnings before income taxes are as follows:

		2000
Future income expense (exclusive of the effects of the following components)	$	(3,761)
Adjustments to future tax assets and liabilities for changes in tax basis caused by tax reorganizations, dispositions, other		(268)
Decrease in valuation allowance		5,825
Future income tax recovery		1,796
Reduction of future income tax assets due to change in tax rates		(3,526)
Net reduction in future income tax assets during the year	$	(1,730)

The valuation allowance for the year ended December 31, 2000 was $7,790, a decrease of $5,825 from 1999, prior to the impact on the valuation allowance as a result of a change in Canadian tax rates. The change in tax rates reduced the valuation allowance a further $2,958 to $4,832. The valuation allowance decreased primarily as a result of the application of capital losses in 2000, which the Corporation previously believed were unlikely to be utilized. In order to fully realize the future income tax assets, the Corporation will need to generate future taxable income of approximately $100,000. Based upon projections of future taxable income over the periods in which the future income tax assets are deductible, management believes it is more likely than not that the Corporation will realize the benefits of these deductible differences, net of the existing valuation allowance. The amount of the future income tax assets considered realizable, however, could be reduced in the near term if estimated future taxable income during the carryforward period is reduced.

Future income taxes arise from temporary differences in the basis of the Corporation's assets and liabilities for tax and financial reporting purposes. Tax effects of these differences are as follows:

		2000		1999
Future income tax assets:				
Investments in hotel partnerships and corporations	$	14,545	$	16,615
Tax losses carried forward and other assets		20,839		24,532
Fixed assets		—		2,232
Long-term receivables		2,939		4,172
Investment in trademarks and trade names		754		253
Current liabilities		27		52
Long-term obligations		4,640		5,517
Future income tax assets before valuation allowance		43,744		53,373
Valuation allowance		(4,832)		(13,615)
Total gross future income tax assets		38,912		39,758
Future income tax liabilities:				
Investment in management contracts		(16,931)		(16,257)
Fixed assets		(210)		—
Total gross future income tax liabilities		(17,141)		(16,257)
		21,771		23,501
Effect of change in accounting standard (note 1(j)(ii))		—		(16,637)
Future income tax assets	$	21,771	$	6,864

At December 31, 2000, the Corporation had accumulated net operating losses carried forward of approximately $20,000 for tax purposes, which expire through 2007.

9) Long-term obligations

	2000	1999
Unsecured debentures (a)	**$ 100,000**	$ 100,000
Convertible notes, US$52,301 (1999 – US$47,902) (b)	**78,462**	69,137
Accrued pension obligation (note 12(b))	**24,576**	15,807
Other long-term obligations	**1,850**	2,187
	204,888	187,131
Amounts due within one year	**(1,152)**	(1,005)
	$ 203,736	$ 186,126

(a) Unsecured debentures:

The unsecured debentures, with a face value of $100,000, were issued on July 2, 1997 at a discount for $99,723, and are due on July 2, 2002. The debentures bear interest at 6%, payable semi-annually, and are redeemable at the option of the Corporation, in whole or in part, at any time, at redemption prices provided for in the indenture.

(b) Convertible notes:

During 1999, FSHI issued US$655,519 principal amount at maturity (September 23, 2029) of convertible notes for gross proceeds of US$172,500. The net proceeds of the issuance, after deducting offering expenses and underwriter's commission, were approximately US$166,000. At any time on or before the maturity date, unless the notes have previously been redeemed or purchased, holders may require FSHI to convert the notes (each one thousand US dollar principal) into 5.284 Limited Voting Shares of FSHI. FSHI has the right to acquire the notes that a holder has required to be converted for cash equal to the fair value of the Limited Voting Shares. The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued interest.

Holders also have the right to require FSHI to purchase all or a portion of their notes on September 23, 2004, September 23, 2009 and September 23, 2014 in consideration for Limited Voting Shares of FSHI having a fair value equal to the issue price plus accrued interest to the date of purchase. FSHI has the right to acquire for cash all or a portion of the notes that a holder has required to be so purchased. In addition, upon a change in control of FSHI occurring on or before September 23, 2004, FSHI will be required to offer to purchase all the notes for cash at the issue price plus accrued interest to the date of purchase. FSHI may redeem all or a portion of the notes at any time on or after September 23, 2004 for cash at the issue price plus accrued interest to the date of purchase.

In accordance with Canadian generally accepted accounting principles, the notes are bifurcated into a debt component (representing the present value of a zero coupon bond of US$655,519 maturing 2029, yielding 9% per annum, compounding semi-annually) and an equity component (representing the value of the conversion feature of the notes). Accordingly, net proceeds have been allocated $68,902 to long-term obligations and $178,574 to shareholders' equity. The offering expenses and underwriter's commission relating to the debt component of the notes of approximately $2,549, are recorded in other assets. The principal amount of the notes will increase as interest is compounded at 9% over the 30-year term of the note.

During 2000, 115 of the convertible notes were redeemed for cash, not shares, which resulted in an accounting loss of $26. In accordance with Canadian generally accepted accounting principles, $6 was recorded as a charge to operations and $20 was recorded as a charge to retained earnings.

(c) Bank credit facility:

The Corporation has a US$200,000 committed bank credit facility, of which US$100,000 matures in April 2002 and US$100,000 matures in July 2002. As at December 31, 2000 and 1999, no amounts were borrowed by the Corporation under this credit facility. Borrowings under this credit facility bear interest at LIBOR plus a spread ranging between 0.3% and 1% depending upon certain criteria specified in the loan agreement.

(d) Scheduled repayments of long-term obligations:

2001	$ 1,152
2002	100,633
2003	43
2004	22
Subsequent to 2004	103,038
	$ 204,888

(e) Interest income, net:

	2000	1999
Interest income	**$ 21,068**	$ 14,407
Interest on long-term obligations	**(15,136)**	(12,200)
Other interest expense	**(1,742)**	(1,798)
Interest income, net	**$ 4,190**	$ 409

(f) Restrictive debt covenants:

The bank credit facility contains certain covenants which require the Corporation to maintain certain financial ratios. In addition, the bank credit facility and the trust indenture relating to the unsecured debentures contain additional covenants which, in certain circumstances, restrict the Corporation's ability to borrow funds ranking superior to these obligations and undertake certain types of major transactions. The Corporation was in compliance with these covenants during 2000 and 1999. In addition, the bank credit facility is callable in certain circumstances by the creditors on a change of control of FSHI.

10) Shareholders' equity:

(a) Capital stock:

Authorized:

3,986,872 Variable Multiple Voting Shares ("VMVS"), entitling the holder to that number of votes that results in the aggregate votes attaching to the VMVS representing approximately 66% of the votes attaching to the VMVS and the Limited Voting Shares ("LVS"), in aggregate, which, at December 31, 2000 was 15.09 votes (1999 – 14.91 votes) per VMVS. Changes in the number of votes attaching to the VMVS necessary to maintain this level will occur concurrently with the issue of additional LVS.

The VMVS rank equally with the LVS as to distributions on liquidation, dissolution or winding-up of FSHI. Dividends declared and paid on the VMVS are in amounts per share equal to 50% of the dividends per share declared and paid on the LVS, regardless of whether the number of votes attaching to the VMVS is further increased.

VMVS are convertible into LVS on a one-for-one basis at the option of the holder. The shares automatically convert into LVS upon any transfer outside of the family of Isadore Sharp, except a transfer of a majority of the shares to a purchaser who makes an equivalent offer to purchase all outstanding VMVS and LVS.

Unlimited LVS, voting (one vote per share) and ranking equally with the VMVS as to distributions on liquidation, dissolution or winding-up of FSHI.

Unlimited First Preference Shares and Second Preference Shares, issuable in series, non-voting and ranking prior to all other shares with respect to payment of dividends and distributions on liquidation or winding-up of FSHI. The dividend rate, redemption and conversion rights, if any, are to be determined prior to issuance by the directors of FSHI.

Issued and fully paid:

	VMVS		LVS		
	Shares	Stated value	Shares	Stated value	Total
December 31, 1998	4,171,924	$ 46	29,738,358	$ 300,759	$ 300,805
Conversion of VMVS	(185,052)	(2)	185,052	2	—
Options exercised for cash	—	—	583,650	8,188	8,188
December 31, 1999	3,986,872	44	30,507,060	308,949	308,993
Options exercised for cash	—	—	368,787	7,647	7,647
December 31, 2000	**3,986,872**	**$ 44**	**30,875,847**	**$ 316,596**	**$ 316,640**

At the Special Meeting of Shareholders on December 19, 1989, the shareholders approved a Long-Term Incentive Plan, whereby the chief executive officer of FSHI was granted the right to receive a special payment on an arm's-length sale of control of FSHI (the "sale"). The amount of the payment is determined with reference to the sale price and the trading price of LVS on The Toronto Stock Exchange in the period preceding the sale. The right to receive the payment may be transferred among members of the officer's family, their holding companies and trusts.

Under executive stock option plans, eligible directors, executives and employees may be granted options to acquire LVS at a price which is not less than the weighted average price of board lots traded on The Toronto Stock Exchange in the five trading days preceding the date of grant. The options are not transferable, have a term of 10 years, and generally become exercisable in varying proportions on the first, second, third, fourth and fifth anniversaries of the date of grant. All such options become exercisable within specified periods in the event of retirement, termination other than for cause (including as a result of a change of control of FSHI), incapacity or death of the director, executive or employee.

Changes in stock options for the years ended December 31, 2000 and 1999 were as follows:

	Options outstanding	Weighted average exercise price	Available for grant
Balance at December 31, 1998	3,416,562	$ 26.56	658,411
Additional options approved by shareholders	—	—	1,200,000
Granted	1,826,329	52.26	(1,826,329)
Exercised	(583,650)	14.03	—
Cancelled	(18,600)	36.51	18,600
Balance at December 31, 1999	4,640,641	38.27	50,682
Additional options approved by shareholders	—	—	1,200,000
Granted	810,716	87.27	(810,716)
Exercised	(368,787)	20.73	—
Cancelled	(32,320)	55.03	32,320
Balance at December 31, 2000	**5,050,250**	**$ 47.29**	**472,286**
Exercisable at December 31, 2000	**1,533,377**	**$ 27.40**	

Information relating to stock options outstanding at December 31, 2000 was as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable	Weighted average exercisable price
$11.30 – $ 24.95	937,565	3.7 years	$ 16.00	883,280	$ 15.51
26.68 – 39.61	764,700	6.6	32.08	227,900	32.60
40.51 – 53.28	2,165,543	7.8	49.41	328,300	47.19
55.18 – 68.80	415,926	8.4	59.31	93,897	57.44
86.97 – 108.14	766,516	9.3	88.23	—	—
$11.30 – $108.14	5,050,250	7.1 years	$ 47.29	1,533,377	$ 27.40

(b) Earnings per share:

Earnings per share is based on the weighted average number of VMVS and LVS outstanding during the years. If all outstanding stock options and convertible notes were converted to acquire LVS, fully diluted earnings per share for the year ended December 31, 2000 would have been $2.77 (1999 – $2.49). The increase in dilution from $0.03 in 1999 to $0.21 in 2000 was primarily due to the effect of the convertible notes being outstanding for the full year 2000, as compared to only three months in 1999. During 1999 and 2000, no convertible notes were redeemed by the issuance of LVS. FSHI has the option to acquire for cash rather than LVS any conversion or put right under the convertible note indenture (note 9(b)).

(c) Equity adjustment from foreign currency translation:

The increase in the equity adjustment from foreign currency translation is primarily caused by changes in the exchange rates used to translate the Corporation's net investment in self-sustaining foreign operations.

11) Foreign exchange loss:

During 2000, the Corporation recorded a foreign exchange loss of $247 (1999 – $2,419). The foreign exchange loss in 2000 related primarily to a foreign currency translation loss on unhedged long-term receivables denominated in Australian dollars (note 13), partially offset by a foreign exchange gain from the revaluation of US dollar net monetary assets. The foreign exchange loss in 1999 related primarily to a foreign exchange loss from the revaluation of US dollar net monetary assets.

12) Commitments and contingencies:

(a) Lease commitments:

The Corporation has entered into lease agreements for certain hotel properties and corporate offices for periods up to the year 2025. The lease terms may be extended by the Corporation under renewal options for periods up to the year 2100.

Future minimum lease payments, exclusive of any contingent rentals, occupancy costs, and lease commitments relating to the Four Seasons Hotel Berlin, are as follows:

2001	$ 11,237
2002	10,504
2003	10,085
2004	10,123
2005	10,096
Subsequent to 2005	117,022
	$ 169,067

The total lease commitments above include approximately $42,000 representing the lease commitments relating to the Four Seasons Hotel Prague, which opened in 2001. The lease payments are to be paid out of the hotel's operations. To the extent the hotel is unable to pay these commitments, the Corporation's liability to fund any shortfall is limited to a guarantee of 67% of two years of lease payments and an agreement to return the building to its original condition upon expiration of the lease. The Corporation currently has a 67% equity interest in this project and anticipates disposing of its equity interest.

The Corporation has provided a US$5,000 letter of credit to support its obligations under the lease at The Pierre New York.

An amendment to the lease agreement for the Four Season Hotel Berlin was completed on November 30, 1999, at which time the Corporation began accounting for the hotel's operations on a consolidated basis. The amendment resulted in the hotel lease being transferred to the Corporation effective January 1, 1999. The lease is for an initial 20-year term with 10 five-year renewals at the Corporation's option. Future minimum lease payments of the hotel, exclusive of any contingency rentals and occupancy costs, are as follows:

2001	$	5,836
2002		6,341
2003		6,629
2004		7,746
2005		7,782
Subsequent to 2005		105,577
	$	139,911

The future minimum lease payments of approximately DM194 million ($139,911) are to be paid out of the hotel's operations. To the extent that the hotel is unable to pay these commitments, the Corporation's liability to fund any shortfall is limited to DM21 million. However, the landlord may terminate the lease if minimum rent is not paid.

(b) Pension commitments:

The Corporation maintains a multi-employer non-contributory defined benefit pension plan (the "Plan") on behalf of the Corporation and the owners of certain managed hotels. The Plan provides pension benefits for certain senior executives of the Corporation and hotel general managers, based on years and level of service and annual salary.

Information relating to the Plan for the year ended December 31, 2000 based on projections of employees' compensation levels to the date of retirement were as follows:

Accrued pension obligation, beginning of year	$	38,184
Change in accrued pension obligation during the year:		
Service cost		1,829
Interest cost		2,764
Benefits paid		(1,041)
Accrued pension obligation, end of year, before allocation		41,736
Portion allocated to managed properties		(17,160)
Accrued pension obligation, end of year, after allocation	$	24,576

The accrued pension obligation is financed by life insurance policies on the lives of each of the participants in the Plan. As at December 31, 2000, the Corporation's share of the cash surrender value of the policies, which is included in "Other assets," was $15,296 (1999 – $15,494).

Assumptions as of December 31, 2000:		
Discount rate		7%
Rate of increase in compensation levels		5%
Components of net periodic benefit cost before allocation:		
Service cost	$	1,829
Interest cost		2,764
Net periodic benefit cost before allocation		4,593
Portion allocated to managed properties		(1,888)
Net periodic benefit cost after allocation	$	2,705

In addition, the Corporation maintains an unfunded, non-contributory deferred compensation plan for the purpose of providing retirement benefits for certain other hotel general managers.

(c) Contingencies:

(i) The Corporation estimates and accrues for the losses, if any, it is likely to incur relating to uninsured contingent liabilities such as guarantees of third party debt, environmental matters, personal injury and property damage at owned or managed hotels, workers' compensation claims, etc. The Corporation's assessment of its potential liability for such matters could change, with the result that the accruals for contingent liabilities recorded in the Corporation's financial statements could increase by a material amount.

(ii) Until 1982, the Corporation held a co-ownership interest in an office building in Toronto. In 1981, the co-owners obtained financing of approximately $22,000 (of which approximately $20,600 plus accrued interest was outstanding as at December 31, 2000) in connection with the property and the Corporation provided a several guarantee with respect to the financing. The Corporation sold its interest in the property to a Canadian insurance company in 1982 for consideration consisting of a cash payment and an assumption by the purchaser of the Corporation's obligations under the mortgage. The Corporation has been advised by the mortgagee that a default has occurred under the mortgage and the mortgagee has commenced a proceeding against the Corporation and another guarantor. The Corporation is vigorously defending the suit and believes that, as a result of, among other things, the sale by the Corporation of its interest in the property and the resulting obligations of the purchaser, obligations of the Corporation, if any, to the mortgagee should be offset by corresponding claims against the purchaser.

(iii) In the ordinary course of its business, the Corporation is named as defendant in legal proceedings resulting from incidents taking place at hotels owned or managed by it. The Corporation maintains comprehensive liability insurance and also requires hotel owners to maintain adequate insurance coverage. The Corporation believes such coverage to be of a nature and amount sufficient to ensure that it is adequately protected from suffering any material financial loss as a result of such claims.

(iv) A number of the Corporation's management contracts are subject to certain performance tests which, if not met, could allow a contract to be terminated prior to its maturity. The Corporation generally has various rights to cure any such defaults to avoid termination. In addition, certain management contracts are terminable by the hotel owner on a defined change of control of FSHI.

(v) The Corporation has guaranteed certain obligations of various directors, officers, and employees in the amount of $941.

13) Fair values of financial instruments:

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. These estimates, although based on the relevant market information about the financial instrument, are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

As cash equivalents, current accounts receivable, current accounts payable and certain other short-term financial instruments are all short-term in nature, their carrying amounts approximate fair values.

The fair values of the Corporation's long-term debt and convertible notes are estimated using discounted cash flow analysis which are based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

Other financial instruments held by the Corporation include interest-bearing loans receivable due from owners of managed hotels (note 3). The Corporation does not have plans to sell these loans to third parties and will realize or settle them in the ordinary course of business. The fair value of these instruments cannot be reasonably estimated because no active and liquid market exists for these instruments, and a market rate of interest (for instruments having similar terms and characteristics) required to use estimation techniques such as discounted cash flow analysis cannot reasonably be determined due to the unusual terms of these instruments.

The Corporation enters into foreign exchange forward contracts that oblige it to buy or sell specific amounts of foreign currencies at set future dates at predetermined exchange rates. Because a significant portion of the Corporation's revenues are derived in foreign currencies (primarily US dollars) and expenditures incurred by the Corporation for its hotel management operations are denominated primarily in Canadian dollars, the Corporation enters into such contracts to protect itself in the event of a strengthening Canadian currency. Management estimates future foreign currency cash flows on an ongoing basis, based on its projections of foreign currency denominated management fees and other transactions. Management negotiates foreign exchange forward contracts in proportion to the magnitude and timing of these cash flows. As at December 31, 2000, the Corporation had sold forward US$217,664 at a weighted average forward exchange rate of 1.48 (1999 – US$124,700 at a weighted average forward exchange rate of 1.51), under 39 forward contracts (1999 – 25 forward contracts) maturing over a 25-month period.

Because the Corporation has significant long-term receivables in pounds sterling, the Corporation, in 1998, entered into foreign exchange forward contracts to protect itself in the event of a strengthening Canadian currency. As at December 31, 2000, the Corporation had sold forward £30.5 million at a weighted average forward exchange rate of 2.25 (1999 – £35 million at a weighted average forward exchange rate of 2.52), under three forward contracts (1999 – five forward contracts) maturing between February 2001 and June 2001.

In 2000, the Corporation entered into three Australian dollar foreign exchange forward contracts to hedge a significant portion of the Corporation's long-term receivables in Australian dollars. As at December 31, 2000, the Corporation had sold forward AUS$9,000 at a forward exchange rate of Canadian dollar 0.8386, under one forward contract maturing on December 31, 2001. The Corporation, in 2000, also sold forward AUS$17,000 at a weighted average forward exchange rate of US dollar 0.6342, under two forward contracts maturing on March 30, 2001 and December 31, 2001.

The fair value of foreign exchange forward contracts is estimated from quotes obtained from the Corporation's counterparties for the same or similar financial instruments.

The fair value of financial instruments is as follows:

	Estimated fair value	Carrying amount
2000:		
Long-term debt (excluding convertible notes)	**$ 126,000**	**$ 126,426**
Convertible notes (a)	**365,000**	**263,866**
Foreign exchange forward contracts	**200**	**2,947**
1999:		
Long-term debt (excluding convertible notes)	115,000	117,994
Convertible notes (a)	293,000	254,573
Foreign exchange forward contracts	14,900	6,846

(a) The carrying amount of the convertible notes includes both the amounts allocated to long-term debt and shareholders' equity. It excludes, however, the estimated offering expenses and underwriter's commission related to the shareholders' equity component of the notes of $6,861, which are recorded in shareholders' equity.

14) Segmented information:

The Corporation has two distinct operating segments: management operations and ownership operations. Under its management operations segment, the Corporation generally supervises all aspects of hotel operations on behalf of the hotel owners, including hotel sales and marketing, hotel reservations, hotel accounting, purchasing, budgeting and the hiring, training and supervising of staff. For providing these services, the Corporation typically receives a base fee calculated as a percentage of gross revenues of the hotel. In addition, the Corporation may receive incentive fees based on the operating performance of the hotels. Generally, the hotels' owners, and not the Corporation, fund substantially all capital expenditures and working capital of the hotels, including all employment and operating costs. This segment also includes the licensing and managing of residence clubs. The Corporation is entitled to receive a fee for the use of its brand name in connection with these projects, and for services provided in the oversight of the sales and marketing of the residence club units. In addition, the Corporation receives a fee from the owners of the residence club units for services provided in the ongoing management of these units.

Under its ownership operations segment, the Corporation had an equity interest in 10 hotels and resorts under management, two residence clubs and five projects under construction as at December 31, 2000. Earnings are primarily derived from the consolidation of its wholly owned interests in three hotels and distributions from its other equity interests. Generally, the ownership operations segment is labour-intensive and is subject to greater economic fluctuations than the management operations segment. Ownership returns can be materially affected by changes in travel patterns, local wage rate factors, the level of capital spending that is required to appropriately maintain and renew the hotels, volatility of construction costs, the availability of hotel financing and changes in interest rates. The Corporation structures its ownership interests separately from its management interests so as to enable the Corporation to dispose of ownership interests as sale opportunities arise, without affecting its management interests.

(a) Consolidated revenues:

Revenues have been allocated to specific geographic segments based on the location of each hotel or resort.

	2000			1999		
	Management revenues	**Ownership revenues**	**Consolidated revenues**	Management revenues	Ownership revenues	Consolidated revenues
United States	**$ 120,238**	**$ 110,331**	**$ 230,569**	$ 93,579	$ 100,381	$ 193,960
Canada/Mexico/Caribbean	**17,550**	**31,588**	**49,138**	14,452	34,071	48,523
Europe/Middle East	**25,264**	**20,823**	**46,087**	17,823	1,679	19,502
Asia/Pacific	**22,242**	**7,366**	**29,608**	18,130	4,550	22,680
	185,294	**170,108**	**355,402**	143,984	140,681	284,665
Less intersegment revenues	**(7,895)**	**—**	**(7,895)**	(7,117)	—	(7,117)
	$ 177,399	**$ 170,108**	**$ 347,507**	$ 136,867	$ 140,681	$ 277,548

(b) Total assets:

	2000	1999
United States	**$ 336,644**	$ 294,644
Canada/Mexico/Caribbean	**279,310**	155,013
Europe/Middle East	**237,791**	237,273
Asia/Pacific	**130,652**	145,209
	$ 984,397	$ 832,139

Corporate Governance

General

On December 20, 1994, The Toronto Stock Exchange Committee on Corporate Governance in Canada issued a series of guidelines for effective corporate governance (the "Guidelines"). As a result, the by-laws of The Toronto Stock Exchange were amended to require disclosure on an annual basis of the approach to corporate governance by companies listed on the exchange. The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members.

The Board of Directors

The Board of Directors of FSHI (the "Board") acknowledges its statutory mandate to supervise the management of the business and affairs of FSHI. The Board, in fulfilling this mandate and discharging its duty of stewardship of FSHI, assumes responsibility for the following:

(a) reviewing and approving the strategic planning and business objectives that are submitted by management and working with management in the implementation of the strategic plan;

(b) identifying the principal business risks for the Corporation and overseeing the implementation and monitoring of appropriate risk management systems, with the Audit Committee assisting the Board in the monitoring of the risks and reporting on these matters regularly to the Board;

(c) ensuring internal control and management information systems for the Corporation are in place, evaluated as part of the internal auditing process and reviewed periodically by the Audit Committee, with the Audit Committee assessing the effectiveness of the internal control and management information systems through meetings held with the external auditors, as appropriate, and senior management and a review of reports prepared by senior management;

(d) assessing the performance of the Corporation's executive officers, including monitoring the establishment of appropriate systems for succession planning and for approving the compensation levels of such executive officers based on the recommendations of the Compensation and Organization Committee; and

(e) ensuring that the Corporation has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

The Board is scheduled to meet five times a year and meets more frequently if required. During the 2000 fiscal year, the Board held seven meetings.

The Guidelines suggest that every board of directors should have in place appropriate structures and procedures to ensure that the board can function independently of management. The Guidelines suggest that the chairman of the board of directors should not be a member of management or, alternatively, that the board adopt equivalent procedures such as assigning the responsibility of ensuring that the board discharges its responsibility to a lead director or committee of the board. In this respect, the Corporation has adopted a variety of structures to allow for the independence of the Board from management, including the appointment of a lead director, the practice of having non-management members of the Board meet periodically as a group, the Board initiating discussions with senior management without the Chief Executive Officer present so that they may voice their concerns, and the ongoing monitoring of the relationship between the Board and management by the Corporate Governance Committee.

Another of the Guidelines recommends that the board of directors and the chief executive officer should develop position descriptions for the board and for the chief executive officer that define the limits of management's responsibilities. In this regard, the Board has adopted a job description and statement of functions for the Chief Executive Officer that delegates to him the day-to-day responsibility for directing the Corporation and for meeting the corporate objectives approved by the Board. The Chief Executive Officer reports formally to the Board, as well as less formally through discussions with members of the Board to

advise the Board on courses of action that have been taken. The Board exercises its responsibility for oversight through the approval of all significant decisions and initiatives. The Board is satisfied that the Chief Executive Officer has reported to and sought the consent of the Board where necessary and appropriate.

Board Composition

The Guidelines require careful consideration of the size, composition and relative independence of corporate boards. The Guidelines recommend that a corporation should be constituted with a majority of individuals who qualify as unrelated directors. According to the Guidelines, an "unrelated" director is a director who is independent of management and is free from any interest and any business or other relationship that could, or could reasonably be perceived to, interfere materially with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding. The Guidelines emphasize the ability to exercise objective judgment, independent of management, as a hallmark of an unrelated director.

Due to the resignation of Mr. Simon Turner and the appointment of Mr. Mustafa Ibrahim Al-Hejailan to the Board on August 2, 2000, the size of the Board remains unchanged at 13 members. The Board, in conjunction with the Corporate Governance Committee, has determined, after reviewing the roles and relationships particular to each of the directors, that six of the 13 directors of FSHI who served in the 2000 financial year were related. The directors who are considered to be unrelated are Nan-b de Gaspé Beaubien, Charles S. Henry, Murray B. Koffler, J. Robert S. Prichard, Benjamin Swirsky, Shuichiro Tamaki and Mustafa Ibrahim Al-Hejailan.

Mr. Isadore Sharp is a "significant shareholder" (as defined in the Guidelines) of FSHI since he controls shares carrying the ability to exercise a majority of the votes for the election of the Board. The Guidelines suggest that where there is a significant shareholder, the Board should include a number of directors who do not have interests in or relationships with either the Corporation or the significant shareholder and who fairly reflect the investment in FSHI by shareholders other than the significant shareholder. Seven of the directors who served in the 2000 financial year are unrelated to the significant shareholder and are unrelated to the Corporation. The Board believes that, at present, this balance serves the Corporation's needs.

The Board believes that it has and continues to function independently of management.

In 1997, the articles of FSHI were amended to permit holders of Limited Voting Shares, as a class, to elect two members of the Board. Accordingly, at each annual meeting of shareholders two members of the Board are elected by holders of Limited Voting Shares. At the Annual Meeting of the Shareholders on May 30, 2000, Nan-b de Gaspé Beaubien and J. Robert S. Prichard were elected by the holders of the Limited Voting Shares.

Committees of the Board of Directors

The Board has three committees. The members of the Committees are appointed annually following the election of the Board of Directors at the Annual Meeting of Shareholders. These Committees are generally composed of outside directors and a majority of these directors are unrelated. In this regard, the Corporation complies with the Guidelines. The only member of management represented on a Committee is the Chief Executive Officer, who sits on the Compensation and Organization Committee. The Chief Executive Officer is not present when matters relating to his own compensation are being discussed.

In 2000, the Committees of the Board were as follows:

Audit Committee Members: Charles S. Henry, Murray B. Koffler, Lionel H. Schipper, Benjamin Swirsky (Chairman).

The Audit Committee is composed entirely of non-management directors. It has primary oversight responsibility for the Corporation's financial reporting, risk management and internal controls. The Committee has unrestricted access to the Corporation's personnel and documents and to the Corporation's external auditors. The Audit Committee reviews the annual and quarterly financial statements and recommends their approval to the Board. The Audit Committee reviews the scope and

planning of the external audit, the form of audit report and any correspondence from or comment by the external auditors regarding financial reporting and internal controls. Accordingly, the Corporation complies with the applicable Guidelines.

Compensation and Organization Committee Members: Nan-b de Gaspé Beaubien, Edmond Creed, Charles S. Henry, Lionel H. Schipper (Chairman), Isadore Sharp, Benjamin Swirsky.

The Compensation and Organization Committee ensures that a process is in place to maintain the compensation program for the senior executive officers of the Corporation at a fair and competitive level. The Committee ensures that programs related to manpower planning, management development, succession planning, career path planning and performance evaluation are effectively integrated with the Corporation's strategy. The Committee reviews the compensation and remuneration of the Board to ensure that it realistically reflects the responsibilities and risk involved in being an effective director. Accordingly, the Corporation complies with the applicable Guidelines.

Corporate Governance Committee Members: Nan-b de Gaspé Beaubien, Charles S. Henry, Murray B. Koffler (Chairman), J. Robert S. Prichard, Lionel H. Schipper.

The Corporate Governance Committee is composed entirely of non-management directors, a majority of whom are unrelated directors. Its mandate is to enhance the Corporation's corporate governance through continuing assessment and policy recommendations on the Corporation's approach to corporate governance. The Committee develops for the approval of the Board the report on the Corporation's corporate governance practices. When necessary, the Committee determines suitable candidates for nominees as directors, periodically reviews the mandates of and assesses the effectiveness of committees of the Board, and assesses the effectiveness of the directors, oversees an orientation and education program for new recruits to the Board in order to familiarize them with the business of the Corporation, reviews the relationship between management and the Board, and assesses the Board's effectiveness as a whole. The Committee has also been granted the authority and direction to take such other initiatives as are needed to help the Board address corporate governance issues and to approve the engagement of independent advisors for individual directors at the expense of the Corporation, if the need should arise. Accordingly, the Corporation complies with the applicable Guidelines.

Communicating to Shareholders

The Board of Directors of FSHI is committed to an effective communications policy for the benefit of all stakeholders including shareholders, debt holders, suppliers, guests, governmental authorities, employees and members of the investment community. In addition to its timely and continuous disclosure obligations under applicable law, the Board also has a formal policy for dealing with analysts, shareholders and the financial press so as to facilitate the dissemination of information. These practices are intended to provide timely disclosure of material information in a manner that is broadly accessible on a non-exclusionary basis by all market participants.

To facilitate this open communication and to avoid selective disclosure, the Corporation holds regular information meetings or calls after the release of quarterly and annual results and holds meetings or calls in association with the release of other information by the Corporation. All such meetings and calls are open to the public. Details of the notice of time, place, general substance and method of accessing any such meeting or call and instructions as to where and how long the public will be able to access transcripts or replays are broadly disseminated. All such information is also available through the Corporation's website to increase accessibility.

Corporate Directory

Directors

Edmond M. Creed*
Retired Executive

Frederick Eisen
President and CEO
The Eisen Corporation

H. Roger Garland
Corporate Director

Nan-b de Gaspé Beaubien***
Co-Chair, Business Families Foundation and
Co-Chair, Gasbeau Company

Charles S. Henry*+**
President
Hotel Capital Advisers, Inc.

Mustafa I. Al-Hejailan
Executive Director, International Investments
Kingdom Holding Company

Murray B. Koffler+**
Partner
The Koffler Group

J. Robert S. Prichard**
Professor of Law and President Emeritus
University of Toronto

Lionel H. Schipper*+**
President
Schipper Enterprises Inc.

Anthony Sharp
President
AD Sharp Development, Inc.

Isadore Sharp*

Benjamin Swirsky*+
Chairman and Chief Executive Officer
Beswir Properties Inc.

Shuichiro Tamaki
Executive Vice President
Japan-Mexico Hotel Investment Co., Ltd.

* Member of Compensation and Organization Committee
\+ Member of Audit Committee
** Member of Corporate Governance Committee

Honorary Past Director

Max Sharp
Retired Executive

Officers

Isadore Sharp
Chairman and Chief Executive Officer

Wolf H. Hengst
President
Worldwide Hotel Operations

Douglas L. Ludwig
Executive Vice President
Chief Financial Officer and Treasurer

Craig O. Reith
Vice President Finance and Assistant Treasurer

Kathleen Taylor
President
Worldwide Business Operations

Randolph Weisz
Senior Vice President
General Counsel and Secretary

Sarah Cohen
Vice President
Corporate Counsel and Assistant Secretary

Management Committee

Antoine Corinthios
President
Europe, Middle East and Africa

James FitzGibbon
President
Asia Pacific

Wolf H. Hengst
President
Worldwide Hotel Operations

Douglas L. Ludwig
Executive Vice President
Chief Financial Officer and Treasurer

Isadore Sharp
Chairman and Chief Executive Officer

Barbara M. Talbott
Executive Vice President
Marketing

Kathleen Taylor
President
Worldwide Business Operations

John W. Young
Executive Vice President
Human Resources

Corporate Vice Presidents

Deborah Brown
Vice President, Human Resources, North America

James Cardy
Senior Vice President, Design and Procurement

Sarah Cohen
Vice President
Corporate Counsel

David B. Crowl
Vice President, Sales and Marketing, Europe, Middle East and Africa

Mike Duwaji
Senior Vice President
Finance, Operations

Stuart Fearnley
Senior Vice President, Design and Construction

Charles J. Ferraro
Senior Vice President, Operations

Chris Garland
Vice President and Controller, Asia Pacific

Ivan Goh
Senior Vice President, Rooms

Susan J. Helstab
Senior Vice President, Corporate Marketing

Barbara Henderson
Vice President, Taxation and Investor Relations

Peter Hodgson
Vice President, Corporate Planning

Thomas Hubler
Vice President, Sales, North America

Michael Hwu
Vice President, Management Information Systems

Dana Kalczak
Vice President, Design and Construction

H. E. (Duffy) Keys
Senior Vice President, Residential Properties

Alfons E. Konrad
Senior Vice President, Food and Beverage

Steve Lambert
Vice President, Finance and Administration
Residential Properties

Nicholas Mutton
Senior Vice President, Operations

Roy A. Paul
Senior Vice President, Development

Craig O. Reith
Vice President, Finance

James C. (Jay) Riley
Vice President, Hotel Marketing

Jonathan Sicroff
Vice President, Sales and Marketing, Asia

Michelle Sweeting
Vice President, Procurement

Sandra Ward
Vice President, Human Resources, International

Randolph Weisz
Senior Vice President
General Counsel

Scott Woroch
Vice President, Business Development, Asia

Regional Vice Presidents

Marcos Bekhit
Four Seasons Istanbul

Stan Bromley
Four Seasons San Francisco

Robert Cima
Four Seasons Philadelphia

Jean-Pierre Dosse
Four Seasons Shanghai

Ignacio Gomez
Four Seasons Prague

Thomas Gurtner
Regent Hong Kong

Christopher Hart
Four Seasons Scottsdale

Christopher Hunsburger
Four Seasons Washington D.C.

Neil Jacobs
Four Seasons Singapore

William Mackay
Four Seasons Los Angeles

Peter O'Colmain
Regent Beverly Wilshire

Craig Reid
Four Seasons Dallas

John Stauss
Four Seasons London

Corporate Directory

Corporate Offices

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1165 Leslie Street
Toronto, Ontario
Canada M3C 2K8
Telephone: (416) 449-1750
FAX: (416) 441-4374
Web Site Address:
www.fourseasons.com

Annual Meeting

The Annual Meeting of Shareholders will be held at 10:00 a.m. on Wednesday, May 30, 2001 in the Regency Ballroom, Four Seasons Hotel Toronto, 21 Avenue Road, Toronto, Ontario, Canada

Stock Listings

The Toronto Stock Exchange
Stock Ticker Symbol: FSH
New York Stock Exchange
Stock Ticker Symbol: FS

Dividend Information

11 cents per Limited Voting Share and 5.5 cents per Variable Multiple Voting Share per annum paid semi-annually in January and July

Transfer Agent and Registrar

Computershare Trust Company of Canada
Halifax, Montreal, Toronto, Winnipeg, Calgary, Vancouver

Computershare Trust Company, Inc.
New York

Auditors

KPMG LLP

Shareholder Information

Barbara Henderson,
Vice President, Taxation and Investor Relations
(416) 441-4329
e-mail:
investors@fourseasons.com

Reservations Information

For reservations at Four Seasons Hotels and Resorts, please call toll-free:

(800) 268-6282 in Canada
(800) 332-3442 in the United States

Or visit our web site at
www.fourseasons.com

For reservations at Regent International Hotels, please call toll-free:
(800) 545-4000 in Canada and the United States

FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS HOTELS AND RESORTS FOUR SEASONS HOTELS AND RESORTS

FOUR SEASONS

Hotels and Resorts